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CONSUMERS' ADVISORY BOARD

N.R.A.

I.

Functions of the Consumers' Advisory Board.

A brief outline of the functions, organization and activities of the Consumers' Advisory Board.

The Consumer Under the National Recovery Administration.

A statement made by Dexter M. Keezer, Executive Director of the Consumers' Advisory Board, at a meeting of the American Academy of Political and Social Science at Philadelphia, Pennsylvania, January 6, 1934.

Consumers' and the New Deal.

A Statement made by Dexter M. Keezer, Executive Director of the Consumers' Advisory Board, at Cornell University, Ithaca, New York, April 19, 1934.

Suggestions for Code Revision.

A memorandum to General Johnson from the Consumers' Advisory Board setting forth certain observations on the working of approved codes, with respects to the effect on purchasing power, of the open-price systems, provisions against selling below cost, output limitations, basing points, zone freight systems, price fixing and other provisions of the codes.

Proposal to Develop Standards for Consumer Goods.

A report prepared by a Committee on Consumer Standards of the Consumers' Advisory Board of N.R.A., December 1, 1933, setting forth the need for establishing such a board and recommendations for its organization.

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## II.

- ✓ Canning Industry Code Hearing - Testimony on Standards for Consumer Goods at Canning Industry Hearing February 8 and 9, 1934, before Deputy Administrator Walter White.

Excerpts from statements made by Karl Hauck, representative of the Consumers' Advisory Board, William Green, President, American Federation of Labor, F. M. Shook, Secretary, Tri-State Packers Association, Miss Charlotte Chatfield, Bureau of Home Economics, Dr. Wells A. Sherman, Bureau of Agricultural Economics and others.

- ✓ Standards and the Consumer.

Statement made at the Code Authority Conference, March 7, 1934, by Dr. Robert A. Brady, Special Adviser on Standards for Consumers' Advisory Board.

- ✓ Quality Standards Reports for Specific Industries.

An outline of the standards situation in the industry, a critical appraisal of standards in use, an analysis of standards extant but not in use, and a study of the feasibility of establishing consumer standards for the protection of the over-the-counter buyer.

- I. Consumers and the Grading and Labeling of Silk Goods.
- ✓ II. Consumer Needs for Hosiery Standards.
- ✓ III. Standard Quality Grading and Labeling of Fresh and Canned Fish.
- ✓ IV. Consumers and Standards in Dry Cleaning.
- ✓ V. Need for Standards in Household Ice Refrigerators.  
(Reports for other industries are being prepared.)

## III.

### Reprints.

Consumers' Interest in Price Fixing - by Walton H. Hamilton, Yale University, reprinted from Survey Graphic, February, 1934.

Why the Consumer Wants Quality Standards - by Robert S. Lynd, Chairman, Committee on Consumer Standards of the Consumers' Advisory Board, of N.R.A., reprinted from Advertising and Selling, January 4, 1934.

Implementing the Consumer - by Caroline F. Ware, reprinted from Survey Graphic, February, 1934.

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**NATIONAL RECOVERY ADMINISTRATION**

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**THE CONSUMERS' ADVISORY  
BOARD**

**A STATEMENT OF ITS FUNCTIONS**



**UNITED STATES  
GOVERNMENT PRINTING OFFICE  
WASHINGTON : 1933**

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## THE CONSUMERS ADVISORY BOARD

This statement is designed to show how the Consumers Advisory Board functions within the framework of the National Recovery Administration.

The Board is one of three advisory bodies which act as counsels for the Consumer, for Labor, and for Industry, respectively, during the preparation and administration of the N.R.A. codes of fair competition.

I. In the precode phase, before they become law, the Consumers Board sends representatives to the code hearings to request that all provisions harmful to consumer interests be stricken out.

II. After approval by the President, which makes the codes law, the Board observes their effect in actual practice. If they are not giving the consumer the protection originally intended, the Board will suggest to the Administrator the necessity for revision.

III. A long range program of consumer education is a major aim of the Board. The Board believes that the consumer is not sufficiently awake to the industrial processes which determine price and quality in the goods he buys, nor to the means by which better standards and more economical distribution can be attained.

It is an innovation in government to establish an agency devoted solely to the consumer as such. In attempting to identify itself with the consuming public, the Board has had to chart new territory. The following outline proposes to define the paths by which the Board hopes to reach its goals.

### WHO IS THE CONSUMER?

Before considering the methods by which the Consumers Advisory Board operates in its efforts to protect the consumer, it is necessary to be clear about his identity and the reasons for his importance.

Newspaper cartoons make the consumer and the common people one and the same harried little figure, eternally trying to fill a market basket from which, eternally, the wolves of taxes, high cost of living, and whatnot are filching his hard-earned commodities. The time-honored concept makes it appear that the consumer is the last buyer and user of goods, and that anyone trying to protect his interests must do so at that point alone.

This is a limited view. The lawn mower with which the consumer clips his grass was previously bought by a retailer from a wholesaler,

who in turn bought it from a manufacturer, who played his role as a consumer when he bought steel from the mills, who themselves were consumers of coal and iron from the mines. Therefore, if we say simply that the consumer is the buyer at each point in this cycle, it makes clear the fact that every price paid and quality received enter as factors in the finished product with which the ultimate consumer mows his lawn.

The Consumers Advisory Board, therefore, would be taking a short-sighted view if it considered only the retail selling process and neglected the base of the pyramid which raises consumer goods to their final market level.

### THE CONSUMER'S DUAL ROLE

Keeping in mind that manufacturers' and jobbers' prices are of great importance, it nevertheless is apparent that retail prices are the practical gauges to determine whether consumers are going to buy freely or to skimp along as they have been on the bare necessities.

The great present need to stimulate mass buying power makes it wise to point out the dual role of the consumer, first as a wage earner under N.R.A. codes, secondly as a buyer of goods manufactured and sold under N.R.A. rules.

In this respect the consumer is both a clothing salesman and the man who pays the grocer's bills; both the carpenter and the man who buys coal. The farmer and the radio dealer, in their role of consumers, are no different than the small boy sent to the corner grocery with a dime. It follows then that the consumer's stake in recovery must be a twofold affair: First, that he receive good wages, and, secondly, that the goods he buys be fairly priced. It would be only passing satisfaction to get a good raise through his trade code if he had to spend it all for unreasonably high-priced goods.

This relation of pay envelop to living costs has implications deeper than economic justice to the wage earner. The vitally needed national purchasing power must come in the main from people of small earnings, from workingmen and clerks, from the great mass of people who need the things they have not bought during the years of economizing. Unless their ability to buy, so carefully nurtured by the N.R.A. program, is protected against profiteering prices, there is danger that industry's rising tide of production and orders will recede and leave both employer and employees stranded.

### THE PRESIDENT'S POLICY

The first sentence in President Roosevelt's public announcement of N.R.A. makes this clear \* \* \*.

The law I have just signed was passed to put people back to work, to let them buy more of the products of farms and factories, and start our business at a living rate again.

Three days after this statement the President asked business to shorten working hours and to increase wages. Under the codes, or under the President's reemployment agreement, it is estimated that some 2,800,000 unemployed have gone back to work. The sum of this new pay roll, plus the generally increased wages in blue-eagle firms, represents that potential purchasing power which the President intended as a major part of the priming charge to start American business going again. As General Johnson has said:

I think the first emphasis should be put on purchasing power rather than on profit, because we think that is the quickest way to profit.

### PROTECTION FOR THE CONSUMER

Reasonable prices, then, are the tonic to stimulate large volume of sales; run-away prices are a poison to kill trade. If industries greedily gulp overdoses of the tonic, convalescent business will have a relapse.

Authority to act against profiteering appears in two Presidential statements, the first one admonitory to business, the second forecasting legal sanctions. The first reads:

The aim of this whole effort is to restore our rich domestic market by raising its vast consuming capacity. If we now inflate prices as fast and as far as we increase wages, the whole project will be set at naught. We cannot hope for the full effect of this plan unless, in these first critical months, and, even at the expense of full initial profits, we defer price increases as long as possible \* \* \* the pent-up demand of this people is very great, and if we can release it on so broad a front, we need not fear a lagging recovery; there is greater danger of too much feverish speed.

The legal authority against undue price lifting rests on the President's statement that:

Antitrust laws still stand firmly against monopolies that restrain trade, and price-fixing which allows inordinate profits or unfairly high prices \* \* \* there will be full protection for the consumer. The codes should recognize the interest of the public in the matter of prices.

Under the N.R.A., the agency to advise the Administrator when consumer rights are at issue is the Consumers Advisory Board. Its charter is worded as follows:

A Consumers Advisory Board will be responsible that the interest of the consuming public will be represented, and every reasonable opportunity will be given to any group or class who may be affected directly or indirectly to present their views.

## THE ADVISORY BOARDS

The three great economic groups—workers, employers, and consumers—are each represented by advisory boards. Each has high stakes in a national recovery; yet, in working together to that end, each is recognized as having its special interest which should be advanced with vigor. Thus the Labor Advisory Board has sought and gained wage and working hours concessions from industry; the Industrial Advisory Board has frequently gained increased freedom from restrictions on joint action in marketing.

The function of the Consumers Advisory Board is to see that attainment of a balance between industry and labor does not involve hardship to the buying public. Its first concern is to protest against any suggestions which, in its judgment, tend to boost prices unfairly, to subsidize monopolies, or lower the quality standards of goods.

These challenges to proposed code provisions are not made by the Consumers Advisory Boards as adversary of either labor or industry, but solely from conviction that no gains can be permanently held if the consumer is hurt in the process.

## THE CODES

The process of drawing up a Basic Code of Fair Competition requires a preliminary hearing before a Deputy Administrator, who represents the National Recovery Administrator, and a public hearing at a later date. Any trade association, industry, labor, or consumer group may submit suggestions; in fact, the initiative is expected to come from these groups.

When agreement is reached on the draft of a code, it is presented to the President, and, if approved by him, it becomes binding on the entire industry whether or not all firms in it affix their signatures.

To these code hearings the Consumers' Advisory Board sends its representatives to hear the various proposals and to object if they threaten consumer interests.

To aid its representatives in their work the Consumers' Advisory Board has furnished to its special advisors a statement of its policies. Some of these policies are outlined below.

## PRICE FIXING

In some so-called "natural resource" industries, consumers' long-run interests have been poorly protected by entrusting prices to determination by cutthroat warfare. There is a strong case for limiting competitive price determination in these industries. But whenever there is a major elimination of competitive safeguards for the



consumer, it should be absolutely subject to one condition—that there be established adequate public regulation for the industry concerned.

As an approach to adequate public regulation, the Board has in mind provisions for full and continuous access to records of prices, costs, and production by public representatives; and a code mandate to these public representatives to report publicly to the President any fixation of prices which they find to be unreasonable.

There is a widespread feeling, both outside and within the N.R.A., that the Recovery Act should be used for experiments with variants of price adjustment falling between competition as practiced in the past and something closely akin to public-utility regulation. The Board's advisors are asked to be open-minded in dealing with such proposals, to make the most careful study possible of the peculiarities of the industry to which they apply, and in gauging them, to give great weight to their potentialities in generating greater consumption and output. It is more important now to get goods produced and consumed than to insist upon minor details of procedure. But wherever it is proposed to increase private power to control prices, the Board insists that the grant of power be accompanied by a grant of public control competent to cope with this greater power.

#### SELLING BELOW COST

Since they are interested in national recovery, consumers do not profit by cutthroat price wars. The Consumers' Advisory Board shares the aim of industry to prohibit such practices. However, it distrusts price fixing as an ostensible means to this end. The prohibition of sales below cost, though less objectionable, involves such great technical difficulties that the board prefers that the specific cutthroat practice prevalent in each industry be defined and forbidden. When cost-accounting systems are provided as a basis for price regulation, the board insists that they be gradually developed, subject to review by the administration, and that they be carefully scrutinized for hidden elements of monopoly and for efforts to support the idle equipment of plants operating below capacity.

The board contends that minimum selling prices should not be based on the average cost to the entire industry, since this would protect the inefficient producer against the efficient, and would guarantee excessive profits to the efficient. Such tendencies are decidedly contrary to consumers' interests, and we believe that codes which prohibit sales below cost of production should define cost specifically in terms of cost to the individual concern.



## CONSUMER REPRESENTATION ON THE CODE AUTHORITIES

Once a code is approved by the President, an authority to administer it comes into being. Proper protection to the consumer obviously demands public representation on the authority, independent of both the labor and the industrial groups there represented. The Consumers' Advisory Board not only asks that public participation be guaranteed in future code administrations but also seeks to have approved codes amended to include it.

## OPEN PRICE SCHEDULES

It has been the practice in certain industries to publish and exchange their price schedules as of a past date. The Consumers' Advisory Board favors public reports, but objects to such detailed reports that members of the industry may identify and threaten those who will not join a price-fixing plan. Proposals that schedules of future prices be also reported are opposed, because they may be opening wedges for price agreement among competitors.

Should such reporting of future prices be permitted in codes, the Board holds that the time interval between the filing of the schedule and its effective date should be as short as possible, never more than 5 days, and that schedules once filed should not be subject to suspension or veto lest a competitor force a concern to retain its price schedules pending a hearing on the case. The Board also holds that fair competitive practice will be served by a rule that future price schedules be mailed to all large buyers and other interested persons or be published by the code authority.

## AGAINST PYRAMIDED PROFITS

A careful check upon price increase is necessitated by the danger that unreasonable mark-ups will be added to a product at every stage of its progress from factory to the last buyer. The manufacturer who has complied with N.R.A. wage-raising agreements has right to recoup his extra labor cost in marketing his goods. So, too, have the distributors of the product. If each handler, however, attempts to make his increased costs an excuse for excessive price increases, the final price to the consumer will endanger the recovery program.

## QUALITY STANDARDS

Manufacturers must not be allowed to disguise price increases by asking the same amount for goods whose quality standards have been lowered. Competition for sales in a rising market tends to put a premium on this shoddy practice, and code safeguards should be

thrown up against unscrupulous manufacturers who may resort to it. Accordingly, the Consumers' Advisory Board has instructed its representatives to challenge at the hearings any code which does not specifically:

(1) Prohibit as an unfair trade practice false marking, branding, advertising, etc., which has a tendency to mislead prospective buyers as to grade, quality, quantity, substance, nature, origin, size, finish, or preparation of any product.

(2) Provide either for the use of standard-size containers and of quality standards in the marking, branding, etc., if such standards are now in existence and recognized as adequate, or for the development of such standards in cooperation with the Bureau of Standards, and their use before a date to be specified in the code.

A representative of the Bureau of Standards devotes his full time to the work of the Consumers' Advisory Board in this connection.

In addition to this code work, the Board has undertaken a project to promote better commodity standards. To this end it has set up a special committee, representing the Board itself, the Bureau of Standards, the Bureau of Home Economics of the Department of Agriculture, the American Bureau of Home Economics, and the Consumers Counsel of the Agricultural Adjustment Administration. The aims of this committee are:

(1) To study the adequacy of existing standards; (2) to make a survey of Governmental and industrial standard-setting agencies; (3) to formulate a policy on the place of the Government in regulating consumer standards.

#### PROTECTION OF COOPERATIVES

The savings made to consumers through cooperative marketing societies, particularly in rural sections, have helped their members greatly during the past few years of low purchasing power, and have thus lent a stabilizing effect which merits commendation. The Consumers Advisory Board has already taken the stand that codes must not contain clauses which seek to deprive the cooperatives of existence.

#### FAIR PRACTICE AND FAIR PRICES

The words "fair competition", appearing in the legal title of all codes, refer to the resolution of every industry to play the game squarely among its members and to prohibit minorities from practices which in the past have upset stability. In the nature of the case, no affirmative statements appear in the codes requiring industry to be fair to consumers. That is implied, yet in the preparation to date of nearly 1,000 codes within the space of a few months it is

possible that some codes may prove inadequate in practice to give the consumer full protection. In observing the practical effects of the codes, the Board reckons fair prices and known quality as the yardsticks by which the consumer interest may be measured.

In its precode work, and in its continuing check on code operations, the Board is being greatly assisted by the Federal Trade Commission, particularly in making decisions on what constitutes unfair methods of competition.

In the checking of the fairness of prices, the Board has the cooperation of the Central Statistical Board, the Planning and Research Division of N.R.A., and other agencies. The Bureau of Labor Statistics, the Department of Agriculture, and the Federal Reserve Board are assisting in the preparation of a study of pay rolls and farm income in relation to retail prices.

What people have to pay for goods and what their pay envelopes contain—these are gages to show whether prices are running away from the consumers' ability to pay.

The Board is preparing data by which it hopes to check the reasonableness of complaints about high prices.

Complaints, however, may be based on ignorance of fundamental conditions. The interplay of economic factors are difficult of comprehension for most consumers, expert as they may be in the conduct of their own affairs. To such the Board will attempt to explain the conditions surrounding price rises. Those complaints which are well founded and factual will be made the subject of study and possible recommendations to the Recovery Administrator.

In every phase of its work—precode, code administration, and consumer education—the Consumers Advisory Board is motivated by the conviction that the full effectiveness of the recovery program depends largely on the concerted effort of industry to give consumers the fairest prices and the best quality possible.

#### MEMBERS OF THE CONSUMERS' ADVISORY BOARD

- Mrs. Charles C. Rumsey, chairman, Port Washington, N.Y.
- President Frank P. Graham, vice chairman, University of North Carolina, Chapel Hill, N.C. (Gov. W. E. Sweet, alternate.)
- Hon. Huston Thompson, Washington, D.C.
- Miss Belle Sherwin, League of Women Voters, Willoughby, Ohio.
- Mrs. Emily Newell Blair, Joplin, Mo.
- Mrs. Joseph J. Daniels, Brendonwood, Indianapolis, Ind.
- Miss Mary Dewson, president National Consumers' League, 156 Fifth Avenue, New York, N.Y.
- Dr. James P. Warbasse, Woods Hole, Mass.

Dr. George W. Stocking, professor of economics, University of Texas, at present on leave as a member of staff of Committee on Government Statistics and Information Services.

Dr. Frederick C. Howe, Consumers' Counsel Agricultural Adjustment Administration, Washington, D.C.

Dr. Robert S. Lynd, Columbia University, New York, N.Y.

Mrs. Grace Morrison Poole, National Federation of Women's Clubs, 1734 N Street NW., Washington, D.C.

Mrs. Hugh S. Johnson, Washington, D.C.

Dexter M. Keezer, Washington, D.C.

Dr. Chas. A. Beard, New Milford, Conn.

Dr. Gardiner C. Means, Economic Advisor to the Secretary of Agriculture, Department of Agriculture, Washington, D.C.

Prof. Walton Hale Hamilton, Yale School of Law, New Haven, Conn.

Dr. Paul H. Douglas, University of Chicago.

#### EXECUTIVE COMMITTEE

Mrs. Emily Newell Blair.

Dr. Frederick C. Howe.

Mrs. Charles C. Rumsey, ex officio.

Dexter M. Keezer.





THE CONSUMER UNDER THE NATIONAL RECOVERY ADMINISTRATION

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Columbia University

A Statement made by Dexter M. Keezer, Executive Director of the Consumers' Advisory Board, at a meeting of the American Academy of Political and Social Science at Philadelphia, Pennsylvania, January 6, 1934.

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I have been reminded by some of the delightful skeptics who enliven the work of the Consumers' Advisory Board, that the title of my paper, "The Consumer Under the National Recovery Administration," suggests that the N. R. A. is just one more of those insupportable burdens which are constantly being heaped upon that long-suffering subject of economic abuse - the Consumer. In selecting the title I assure them I had no such inference in mind. If I had attached any significance to the word "under" beyond that suggested by the patent fact that consumption is much affected by the dispensations of the National Recovery Administration, it would have been that the consumer provides a most vital underpinning for the entire project, and that he is to be guarded and cherished accordingly.

To many people, of course, the idea that the N. R. A. is a sort of steam roller designed to flatten the consumer still further seems entirely valid. They note that it calls for increases in costs and hence, in many cases, increases in prices. Reasoning, in accordance with a quite general practice, that low prices are good for consumers, high prices bad, they conclude that consumers are bound to be adversely affected by the N. R. A., regardless of special arrangements thoughtfully made to safeguard their interests.

However, in opposition to this view, I submit that a plausible case can be made that the promotion and protection of the consumers' interest is logically consistent with the N. R. A. project -- is, indeed, the most vital element in its success -- and that this interest, properly safeguarded, stands to gain greatly in the long-time developments of which we are probably witnessing only the initial steps.

To make such a case it is necessary to consider the consumers' interest as the interest of the community at large in consuming a larger volume of goods and services, rather than the interest of any particular group in that regard. If any defense of this definition of the consumer and his, her, or its interest is required (and I shall have occasion subsequently to use the term consumer as synonymous with purchaser) I can only say that the consumer, like Mrs. Malaprop's conception of Caesar's wife, is all things to all men, and accordingly subject to grave vicissitudes of definition.

Obviously there is a considerable group or, at any rate, income-receiving interest, which stands to lose in a program which calls for a cost-raising and hence, in numerous instances, a price-raising process. People who receive their incomes from bonds which remain gilt-edged or from salaries which are completely secure -- if any -- are bound to be hurt by a price-raising program. Insofar as there is a general expansion of consumption they may gain in greater security. But, initially and perhaps over a considerable period, they stand to lose in real income. There is the position of a newspaper columnist friend of mine who, when I went to work for the Consumers' Advisory Board, wrote:

"I trust that before long he will advise us as to the economic formula for solving the problem of consumers whose taxes have gone up, living costs gone up, salaries gone down, and who are enjoined to show their wholehearted support of the Blue Eagle by buying more."



Not knowing the formula, I do not argue, as I think it has been too hastily argued by some, that the entire body of consumers can benefit immediately, and directly from the N. R. A. A very considerable body of consumers, or income-receiving interest, stands to lose and it seems to me desirable to have that fact clearly faced and understood.

But when the inevitable reverses of those with fixed but secure incomes are viewed in relation to the whole consumers' interest, a case for the N. R. A. as a potential boon to that interest can be made. In its general outline it is a very simple case. The first step is to expand the total volume of purchasing power in hands of workers in trade and industry through enlarged salary and wage payments. Then full heed must be given to the warning sounded by President Roosevelt, in signing the Recovery Act, when he wrote:

"...I am fully aware that wage increases will eventually raise costs, but I ask that managements give first consideration to the improvement of operating figures by greatly increased sales to be expected from the rising purchasing power of the public. That is good economics and good business. The aim of this whole effort is to restore our rich domestic market by raising its vast consuming capacity. If we now inflate prices as fast and as far as we increase wages, the whole project will be set at naught. We cannot hope for the full effect of this plan unless, in these first critical months, and, even at the expense of full initial profits, we defer price increases as long as possible....."

In the President's warning that "if we now inflate prices as fast and as far as we increase wages, the whole project will be set at naught" is one crux of the N. R. A. as a recovery effort. If the warning were generally heeded the program would be theoretically consistent with both the protection and promotion of the consumers' interest.

Of course, a program which proceeds initially to increase wage costs precipitates immediately a host of economic complications. There is the question of maintaining exports in competition with countries not embarked upon a similar project - a question which is currently being made less pressing by the national monetary policy. There is also the question of both the time and volume at which purchasing power expanded through enlarged wage payrolls will flow back to revive industries weakened financially by making the larger payments. But, none the less, if the President's warning in signing the Act creating it were accepted as a general rule of economic conduct there is no available demonstration that the N. R. A. conflicts with a very healthy promotion of the consumers' interest.

The practical and immediate problems, of course, and one which has particularly engaged the attention of the Consumers' Advisory Board, is to see that the warning is respected. The very rush of codes through the N. R. A. has contributed to making this a difficult undertaking. During a recent week, which I selected at random, the Consumers' Advisory Board was called upon to advise in the drafting of 73 separate codes for enterprises as diverse as savings building and loan associations; the powder puff industry; funeral service; chewing gum manufacturing; the zinc industry; wrecking and salvaging; the exterminating, fumigating and disinfectant industry; infant's and children's wear; saw mill machinery; garter, suspender and belt manufacturing; the heavy forging industry; automotive maintenance; out-door advertising and the manufacturing of ladies' handbags.

The design set forth in the title of every code, which is coupled with the general purpose of the Recovery Act to expand purchasing power through enlarged wage payments, is to devise a "code of fair competition." The ideology underlying this design seems to have been set forth about fifty years ago by Henry C. Adams, quite clearly as it has been during any of the discussion of the Recovery Act. In a paper on "The Relation of the State to Industrial Action", published by the American Economic Association, in January, 1887, Professor Adams, arguing that "the State may determine the plane of competitive action", wrote:

"...an isolated man is powerless to stem the tide of prevalent custom, and that in many lines of business those men whose moral sensibilities are the most blunted, exercise an influence in determining prevalent custom altogether out of proportion to their importance as industrial agents. Suppose that of ten manufacturers nine have a keen appreciation of the evils that flow from protracted labor on the part of women and children; and, were it in their power, would gladly produce cottons without destroying family life, and without setting in motion those forces that must ultimately result in race-deterioration. But the tenth man has no such apprehensions. The claims of family life, the rights of childhood, and the maintenance of social well-being are but words to him. He measures success wholly by the rate of profit and controls his business solely with a view to grand sales. If now the state stand as an unconcerned spectator, whose only duty is to put down a riot when a strike occurs (a duty which government in this country is giving up to private management), the nine men will be forced to conform to the methods adopted by the one. Their goods come into competition with his goods, and we who purchase do not inquire under what conditions they were manufactured. In this manner it is that men of the lowest character have it in their power to give the moral tone to the entire business community..... But what, it may be asked, can the state do in the premises? The state has done much and can do more. That code of enactments known as "factory legislation" is addressed to just this evil of competitive society, and it only remains for us to formulate for this code an economic defense. The general rule laid down for the guidance of state interference in industries was, that society should be secured in the benefits while secured against the evils of competitive action. When the large body of competitors agree respecting some given method of procedure, but are powerless to follow it because a few men engaged in the same line of business refuse to conform to the proposed regulations, it becomes the province of the state to incorporate the wish of the majority in some practical law. In this manner there is established a legal plane of competition higher than that which could be maintained in the absence of legal enactment. This is no curtailment of competitive action, but a determination of the manner in which it shall take place."

In conformity with this half-century or century-old idea of having the state set a plane of fair competition, one fairly distinct step under the N. R. A. is to undertake to put a respectable bottom in the wage scale. In some industries this has involved a large increase in wage payments. For example, we have calculated that the Cotton Textile Code called for an increase in hourly wage rates of approximately fifty percent in the North, and about sixty-two percent in the South.



Such increases may also, though not uniformly, involve an even larger increase in wage costs because of a rearrangement of work schedules occasioned by shorter hours. And it is an increase which in some cases may be difficult to recoup quickly from increased sales made possible by the enlarged wage payments.

In this step, however, the consumer's interest is generally safeguarded by a number of forces within industry which work to prevent inordinate price increases. For one thing, the employing group is actively on hand to see that wage idealism does not run wild. And while, as noted, employing groups in some industries have agreed to very large wage increases, at least in terms of percentages of prevailing wage rates, an examination of the wage and hour provisions of the codes generally indicates that such idealism has not run wild.

What the rights accorded to labor in the matter of organization will mean in terms of increased wage payments largely remains to be determined. But I personally find it very difficult to subscribe to what has seemed to be the rather widely held view that the N. R. A. is providing a sort of field day for organized labor, and hence precipitating a potential route of the purchaser who is not within the organized labor group. I find myself constantly reminded that labor organization must for sometime to come proceed against a background of many millions of unemployed. Such a background does not seem to me conducive to an overpowering bargaining strength on the part of organized labor.

Having established a fair plane of competition in the matter of wages and hours, another step is to establish a fair plane of competition in the selling of products of industry. The general idea here is, of course, that the elimination of cut-throat price competition will facilitate the recouping of industry's expanded wage payments. In the carrying out of this step, there are some formidable risks that in devising what purports to be a plane of fair competition, competition itself will be extinguished to a degree unfortunate for the consuming public.

Several factors of general force magnify these risks. One is the widespread tendency on the part of business men to regard what most detached students of political economy would view as a comfortably monopolistic state of affairs as a state of fair competition. Business men have been much encouraged to take this view. During the depression they have been flooded by argument that the Federal anti-trust laws were a major cause of business disorganization.

Personally I do not think that it is possible to make a convincing demonstration that the Federal anti-trust laws were a major contributor to our economic woes. On the contrary, I think that a far better case could be made for the proposition that indifference in enforcement of these laws, coupled with an unfortunate course of judicial interpretation, was a major contributor to the depression. At any rate, it is at least notable that the fact that anti-trust laws have been a peculiarly American institution has not confined deep economic depression to our shores. It does not follow, of course, that there are no public gains to be made through discriminating relief from the anti-trust laws - particularly in the depths of depression.

Regardless, however, of the validity of the view that our anti-trust laws were responsible in an important degree for the severity of the depression, many business men sincerely believe that this was the case. This faith naturally makes them eager to utilize the N. R. A. codes to perfect broad arrangements for what is euphemistically known as cooperation. It has also been responsible, in part, for some cooperative arrangements such as those for handling increased costs of production under the N. R. A. by uniform mark-ups of goods, which are not sanctioned by the codes, and

hence still offensive to Federal anti-trust laws. As General Johnson recently explained, "Trade and industrial groups are not exempted from the provisions of the anti-trust laws except insofar as they are expressly authorized to act in accordance with specific provisions of a Code or agreement under the Act, approved by the President of the United States." Some groups, however, have overlooked that fact.

Another reason why there are peculiar dangers that the business of setting a plane of fair competition for the managers of industry will overshoot the mark and destroy some very fair competition is that the managerial group is not confronted by a comparably well organized and informed consuming group, equipped to remind it forcibly of the true nature of fair competition. In the negotiation of wage scales, the workers are often faced by a well-knit and powerful employing group. When, however, this employing group turns to setting the plane for competition for itself as the seller it is very much less constrained.

Further, in numerous industries there has been such a rush to corporate consolidation that unless there is to be a formidable unscrambling process, which does not seem in general contemplation at this time, it is very difficult to fulfill uniformly the idea of a "code of fair competition." In their brilliant study "The Modern Corporation and Private Property," Adolf A. Berle, Jr. and Gardiner C. Means reported that while in 1929 there were 300,000 non-banking corporations in the country, 200 of these, or less than seven-hundredths of one percent, controlled nearly half of the corporate wealth. They found that "the huge corporation with assets of \$90,000,000 or more, has come to dominate most major industries in the United States." Under such circumstances there are obvious dangers of having what are called codes of fair competition associated with a substantial degree of monopoly.

The Consumers' Advisory Board conceives it to be a vital part of its job in the code writing process to counsel against arrangements which it thinks will have that result, unless the protection afforded to the consumer by competition has been replaced by some reasonably adequate form of public control.

In this connection, it rejects the very general view that the consumer is merely the buyer at retail. It concerns itself with the welfare of the buyer of heavy steel products as well as bread and chewing gum. This is done on what seems to be the very valid theory that if the purchaser in the intermediate steps of production and distribution is unfairly treated, the unfair treatment must be reflected in the retail markets. Strangely enough, we are under constant necessity of arguing this point which seems to me to be in the nature of an obvious truism. For its advisory work on codes the Board has a staff of resident advisers who attend hearings and conferences after the managerial group has decided what it wants in the way of a code, and who endeavor to have it approach, in fact, a code of fair competition. On this staff there are men borrowed from the Federal Trade Commission because of their expert knowledge of competition and ways to avoid and preserve it; a distinguished representation of industrial and commercial purchasing agents who are familiar with the practical tricks of buying and selling with which American industry is so replete; a number of economists; and a representative of the Bureau of Standards to which every code is referred in an effort to embody useful commodity standards. In addition, the Board has received very valuable aid and counsel from the Bureau of Home Economics of the Department of Agriculture, and from the American Home Economics Association, in its efforts to make the codes a vehicle for improved commodity standards.

In dealing in an advisory capacity with the rush of codes passing through the N. R. A., the Board aims, in general, toward the establishment of a plane of competition in which the purchaser will, through suitable standards and grades, have an opportunity to know what he is buying, to obtain it at a reasonably competitive price, or, denied that opportunity, be protected by a public regulatory body.

On the central issue of price, it is our view that what seems to many business men a most beguiling remedy for economic ills -- uniform price fixing -- is vastly over-rated. Uniform price fixing, pursued on either of the main lines which have been followed in the past, seems to us to present a two-horned dilemma. If the power to fix uniform prices is placed in private hands, there is the well-known danger that either the consuming public will be harshly exploited or that those exercising the power will over-step themselves with disastrous results to the industry. There is, of course, an enormous range of historical material to support that proposition. And if the public regulatory body is set up along conventional public utility lines, experience indicates that a very cumbersome and slow-moving machinery, from which the consumer can look for relatively little comfort, is involved.

Hence, we are not kindly disposed to uniform price fixing and often endeavor, with what I think is excellent logic, to treat what appear from one point of view, to be cut-throat price practices by improved quality standards. In numerous industries it seems clear that much of what is termed vicious price cutting would be checked if the nature of the commodity or service being purveyed were proclaimed to the purchaser in readily understandable terms. But perhaps partly because it seems to some a relatively exotic idea that standards of quality are a vital element in establishing a fair plane of competition, and also because relatively few standards are available for speedy incorporation in codes, we have not accomplished a great deal along this line.

However, always mindful of the fact that the field of standards has many pitfalls and that standards may be used to surpress as well as to promote fair competition, we persist in the effort to have the codes embody a fair plane of quality competition. In the process of revision of the codes which is now crowding in upon the writing of new codes, we hope to succeed where we failed in the initial instance. And through a committee on standards, headed by Dr. Robert S. Lynd of Columbia University, the Consumers' Advisory Board is also endeavoring to stimulate research essential to the development of consumer standards. It is so patently true that knowledge of the quality of a product is a crucial element in any informed judgment of the reasonableness of its price, that there must be large developments in the field of standards if we are to have anything like well-rounded codes of fair competition.

We are also striving to generate, or have generated, the general statistical information necessary to effective code administration, and the protection of the consumers' interest. And, in that connection, we are viewing something of a model the statistical reporting service for the bituminous coal industry which is now well advanced. While there seems to be much greater danger of continuing to have too little information about industrial performance under the N. R. A. than of having too much information there are some substantial dangers involved in trying to quench a long statistical drought too quickly. One of them is indicated by the following extract of a letter recently received by the Consumers' Advisory Board from a small manufacturer:

A large concern needs a complicated accounting and statistical system so that its officers can be properly advised as to the conduct of the business. Where a company is so large that its officers cannot personally have first-hand knowledge of the details of the business, detailed statistics are needed. A small company, however, where its officers personally supervise the affairs of the business, does not need such elaborate machinery. Nevertheless, under some of the codes all companies are being required to install the same elaborate accounting and statistical systems. To a small company this additional cost will be oppressive and may even cause what in the past has been a profit to be turned into a loss. Our company, which is not a large institution, will have to operate under three to six different codes. We do not know how this can be done .....

In the Administration of codes, being increasingly centered in what has come to be known as the Code Authority, there is a chance of devising a scheme of industrial control which will be a marked improvement over anything we have had in the recent past. As previously noted, too great concentration of private control in industry has worked badly, and so too, on the whole, has regulation of the public utility type. By having competent representation of the consumer and labor interest on the Code Authorities, abuses of uncontrolled concentrations of private power as well as abuses attendant upon the tortuous and tricky course which has been followed in public utility regulation may be mitigated. The Consumers' Advisory Board is trying to improve that chance in the code writing and revising process.

If it were possible to have the codes of fair competition live up precisely to their name and secure compliance with them, the consumer would have little to worry about. Prices of some products such as those of soft coal at the mines and some grades of textiles, in the purchase of which consumers have long exploited both wage workers and investors, would go up. Prices of other products would go down. And the paradise of price balance toward which there is now such a frantic struggle would be attained, and with it a large measure of prosperity.

But even given a unanimous desire to perfect codes of fair competition, the very magnitude of the task of devising such codes for hundreds of separate industries at high speed works against such a result. Protection and promotion of the consumers' interest, therefore, requires a continuing check of performance under the codes to see, among other things, that prices do not run away from increased funds to pay them and thus wreck the recovery program.

One stimulus to such checks by the Consumers' Advisory Board comes from complaints against what seem to those making them unreasonable price increases. The provision of moderately accurate conclusions on the validity of such complaints involves the solution of the mystery of what is a fair price, with which economists have been contending none too successfully throughout the existence of their craft.

At the outset of the NRA there was a bench mark, or sorts, against which to measure the reasonableness of price increases under it. In the President's



Reemployment Agreement there was a paragraph, Number 9, binding those subscribers to it, "not to increase the price of any merchandise sold after the date hereof over the price on July 1, 1933, by more than is made necessary by actual increases in production, replacement, or invoice costs of merchandise, or by taxes or other costs resulting from action taken pursuant to the Agricultural Adjustment Act, since July 1, 1933, and, in setting such price increases, to give full weight to probable increases in sales volume and to refrain from taking profiteering advantage of the consuming public."

But soon it was reasonably argued that such limitation would condemn some companies which were operating at a loss when they signed it to continue in the red during the lifetime of the agreement. This prompted the interpretation that "where the July 1, 1933, price was a distress price, the employer signing the agreement may take his cost price on that date as the base for such increase in selling price as is permitted by Paragraph 9."

This interpretation necessarily complicates a check upon the reasonableness of price increases under the President's Reemployment Agreement. And as industries operating under this agreement have shifted to operation under their own codes they have not been uniformly bound by clauses, such as that in the general retail code, limiting price increases to increased costs occasioned by the codes.

The result is that any agency undertaking to pass on the fairness of price increases under the NRA in a moderately precise way is confronted by a stupendous task. There are, according to a committee of experts who looked into the requirements of such an undertaking at the behest of the Consumers' Advisory Board, somewhere in the neighborhood of 100,000 commodities of importance and perhaps 2,000 commodities of key significance. The United States Tariff Commission, this committee found, spends an average of about \$25,000 to make a cost study of a single product. When the number of important commodities is multiplied by the expense of making a study of merely one element which governs their prices, the financial aspect of providing a continuing check upon the reasonableness of price increases under the NRA reaches astronomic proportions.

But if the consuming public is to be given reasonably adequate protection under NRA codes, which fail of the ideal of being codes of fair competition, there must be continuous examination of the reasonableness of prices charged under them. And with what some learned economists regard as a childish excess of zeal, the Consumers' Advisory Board is making efforts in that direction and hoping that they will be the precursors of the establishment of fairly adequate machinery to do the job.

Also, it is striving in cooperation with the Consumers' Counsel of the Agricultural Adjustment Administration, and other governmental agencies, to overcome the deficiency in consumer organization and intelligence in the three-way conflict of interest which precedes most economic bargains. The consumer, to be sure, is also the wage worker, the employer, the Government clerk, and so forth, but his interest should and can be differentiated. His interest as a wage worker, for example, is in a single industry; his interest as a consumer or purchaser is dispersed across a broad range of industry, but is no less real on that account.

I have endeavored to make it clear that the promotion and protection of the consumers' interest is logically quite consistent with the program of the National

Recovery Administration. Whether the logic of the argument will be fulfilled in real life is, in large measure, for the future to determine. Thus far, judged by the information available, the rise of dollar income has kept ahead of the rise in prices, which is perhaps the most important test of the program. There have been cases where industries, operating under the Recovery Act, have taken far more from consumers through increased wages, but this state of affairs has not been extensive enough thus far to defeat the purposes of the NRA as an immediate stimulus to economic recovery. I realize of course, that it may be argued that the NRA has been co-incidental to recovery rather than causal, but the fact remains that while it has been operating the consumers' interest has been notably advanced. And that, at any rate, is a pleasant coincidence which for some years prior to the NRA had failed to accompany government efforts to expand consumption.

It still remains, however, to give full force to many extremely important arrangements which have been entered upon during recent months. Many provisions of codes, particularly as they relate to the plane of competition for sellers of industrial and commercial products, remain in something of a state of suspended animation, and until they are given full effect it will be impossible to secure any certain gauge of what is being wrought.

The approved codes contain numerous provisions against which the Consumers' Advisory Board counselled, and they omit numerous provisions which the Board would like to have had included. Much the same thing is true, and necessarily so, of the Labor and Industrial Advisory Boards. The failures of the Consumers' Advisory Board in this regard may be due to bad judgment, or lack of capacity to present wise opinions clearly and forcibly. They have not, I can assure you, been due to lack of diligence for it has never been my pleasure to be associated with a group which, under the leadership of the Chairman of the Board, Mrs. Mary H. Rumsey, has worked with more determined and self-sacrificing devotion to what it conceives to be its public duties in the premises. They have been also due, I am sure, to a considerable failure to comprehend that, with the rigors of competition being greatly reduced for both wage workers and employers, there is peculiar need to provide special safeguards for the consumer, apart from those inherent in the traditional process of public administration.

I suspect, however, that our failures have been due, in quite large degree, to the absence of a direct and powerful line of communication with the consuming public. The Industrial Advisory Board has often spoken for a powerful and coherent interest which it could quickly rally in support of its advisory opinions. Something of the same thing is true of the Labor Advisory Board. But, while representing an interest of crucial and devastating force potentially, we have been in no such position. Even in dealing with manufacturing codes, in which distributors at wholesale and retail have interests as consumers, the distributors have been very slow to rally to their consuming interests, though we have consistently received most valuable aid from a few alert establishments in the distributing field. And from the great body of purchasers at retail there has, of course, been no coherent and powerful line of communication.

Should this continue, the Consumers' Advisory Board, now well inured to operating on this uncomfortable basis will, of course, endeavor to do its utmost to promote and protect what it regards as the consumers' interest in the administration of the N.R.A. If there is to be assurance of success along this

line, however, there must be activity at the grass roots. The establishment of the consumers' agencies of the Agricultural Adjustment Administration and the N.R.A., represent, I am informed, entirely new departures by the Federal Government in behalf of the consumer. What the N.R.A., now frankly proclaimed by General Johnson to be in a formative and experimental stage, will ultimately turn out to be depends in considerable degree, on how the consuming public responds to this new and notable recognition.

C O N S U M E R S   A N D   T H E   N E W   D E A L

A Statement made by Dexter M. Keezer,  
Executive Director of the Consumers'  
Advisory Board, at Cornell University,  
Ithaca, New York, on April 19, 1934.



## CONSUMERS' AND THE NEW DEAL

A Statement Made By Dexter M. Feezer, Executive Director  
of the Consumers' Advisory Board at Cornell University,  
Ithaca, New York on April 19, 1934

For the past eight months I have been working in Washington with the Consumers' Advisory Board of the National Recovery Administration. During that time, I have, in company with the Board and its staff, been moving through uncharted and often rough seas. The consumers' agencies of the National Recovery Administration and the Agricultural Adjustment Administration are new departures in American Government. They also entail a line of endeavor which has been relatively little explored in the older economies of Europe. Hence, we have had few guide posts erected in the past to mark our troubled course.

In keeping with the pace set generally by the N.R.A. I have been working a long shift and at high speed. During a single week our Board has been called upon to pass some kind of judgment on as many as 80 codes of fair competition and for industries as diverse as those purveying powder-puffs and hoisting machinery, chewing gum and heavy railroad equipment. A distinguished jurist has remarked that the drafting of a certainly adequate code of fair competition for a single industry surpasses the comprehension and competence of any single individual or group of individuals. But they have been going through our mill by the scores and hundreds.

While so engaged, I have been played upon by a set of forces which tend quite definitely to obscure clear perspective. One of them arises from the fact that the word "consumer" has a very powerful appeal to those who are highly distraught emotionally about the sufferings of mankind. For years, as you know, our cartoonists have portrayed the consumer as a futile little man, generally adorned by a battered derby, who is set upon by overpowering forces generally labeled "big business." This manner of caricature has had its effect, and an agency established to deal with the problems of the consumer is a powerful magnet for people with low emotional boiling points.

This tendency to emotional agitation has been heightened by the fact that persons and publications, distrustful of the recovery program as a whole but unwilling to make a frontal attack upon it, have utilized the fact that it inevitably results in higher prices for some commodities as the basis of a selective attack upon the program as unfair to consumers. While the Consumers' Advisory Board has been set upon in some quarters as an agency failing miserably to safe-guard the greatest stake in the recovery program - that of consumers - it has been regarded by others operating in closer contact with the N.R.A. as at least a persistent nuisance. This location between cross fires inevitably tends to encourage a feeling of self pity.

With such a background of experience for the past eight months, it seems altogether probable that I am the worst possible person to discuss Consumers' and the New Deal in anything like a true perspective. Perhaps it would be well to admit at the outset that the only valid reason for my being here to speak on this subject is that I was moved irresistably to seize an opportunity to return to Cornell University and renew associations

which are among the most pleasant I have ever had. During the past eight months, however, I have had the opportunity to work in close contact with one key part of the general recovery program. And possibly I can compensate in some slight degree for what is quite probably a lack of clear perspective on what has happened, is happening, and may happen to consumers under the N.R.A. -- the only phase of the general undertaking with which I can claim particular familiarity -- by providing some glimpses of how the wheels go round. These glimpses are necessarily based upon my own personal perceptions rather than those of the Board as a whole.

With the general design of the N.R.A., I assume that you are entirely familiar. Insofar as it was intended to be a program of economic reform, its nature and the motivation of it was set forth fifty years ago by Henry C. Adams, one of the most distinguished in a long line of distinguished Cornell economists, quite as clearly as it ever has been since. I refer to his argument that, "the state may determine the plane of competitive action" which was presented in his paper on "The Relation of the State to Industrial Action", published by the American Economic Association in January, 1887. Insofar as the N.R.A. was designed as a recovery program -- and it was inevitably both a reform and a recovery program -- the broad outlines were very clearly set forth by President Roosevelt, in the statement which he made upon signing the National Recovery Act. He explained that the central idea was to increase wage payments and then, while holding prices down to the lowest possible level, have this increased purchasing power inject a new flow of life blood into the economic system. I have heard economists far more learned than I argue the pros and cons of the N.R.A. as a recovery program, with indecisive results. But I have never heard it convincingly demonstrated that it was not theoretically plausible. And I think that whatever the conclusion one may reach on that point, we can all agree that in its appeal to organized effort and intelligence, it gave the country an emotional lift at a time when one was very desperately needed.

The translating of this general program into practice, however, is a tortuous process and one with which I find very little general familiarity. Hence I am emboldened to outline briefly some of its important characteristics even before this audience. The first step -- that embodied in the President's Reemployment Agreement -- was relatively simple. Employers generally were asked to make voluntarily agreements with the President, whereby they would increase their wage payments -- both by decreasing hours and increasing rates of pay. The setting of wage and hour standards for different industries presented difficult questions, as did the prescription of suitable exemptions from these standards within industries. But by and large, the undertaking was one which moved directly over relatively familiar ground. It was a straight-away effort to make effective the central idea of the N.R.A. as a recovery program -- that of extracting from industry a larger volume of wage payments, and relying upon these larger wage payments to flow back and revive the industries which had made them. It has been persuasively argued that the President's Reemployment Agreement, so far as the general design was concerned, exhausted the useful possibilities of the N.R.A. as a recovery program. Whether or not that is true remains to be seen.

But as a matter of practical statecraft, there remained the necessity

of ministering to the conviction of many employers that, in return for expanding wage payments, they were entitled to a quid pro quo in the form of relief from past prohibitions imposed by the anti-trust laws. Others having no direct financial interest in such relief thought that it was necessary to prevent the wage levels which had been established by the President's Reemployment Agreement from being broken down by ruinous price cutting. These convictions account, in large measure, for a process of code writing which, though it has proceeded at a tremendous pace and thus far resulted in the production and approval of several hundred codes, still remains far from completed.

As I have previously indicated, each of these codes is officially designated as a code of fair competition. That they might be so in fact as well as in name, there were established in the N.R.A., three advisory boards. These were to assist the Administrator and his Deputies to decisions that would be fair to the three major parties at interest in the conduct of American industry - labor, employers, and consumers. It was provided that the members of the Labor Advisory Board should be appointed by the Secretary of Labor. The members of the Industrial Advisory Board, which, it has been asserted might be more appropriately known as the Business Advisory Board, are named by the Secretary of Commerce. The members of the Consumers' Advisory Board, are, in the absence of any established Government agency devoted particularly to the interests of consumers, appointed by the Administrator of the N.R.A. - a detail of administrative organization which should be suggestive to students of that subject. In addition, the organization of the N.R.A. for code writing includes a Legal Division, to keep the arrangements made in conformity with the law. It also includes a Division of Research and Planning, designed to array information essential to informed economic judgments of these arrangements, and to plot courses that might impart economic order and unity to what would necessarily be a great multiplicity of separate codes.

In formal design this constituted a well balanced organization to handle the drafting of codes of fair competition, and reflected a distinguished endeavor on the part of the Administration to have these codes live up to their name and safeguard the interests of all parties having a vital stake in the N.R.A. undertaking. However, it has been extremely difficult, both because of problems of personnel and the economic forces at work, to fulfill in real life the ideal reflected in the formal organization of the N.R.A. For one thing, the initial drafts of the codes of fair competition thus far approved have been prepared by business representatives of the industries to which they were designed to apply. Consumers have no part in the first drafting of the codes. While no doubt appropriate to voluntary agreements to be entered by business groups - - and all codes thus far approved have been of this type - - this procedure obviously tends to make the initial drafts of the codes lopsided. This bias also tends to be increased by the nature of the economic faith of many of the business men or their agents, who initially draft the codes. One element in this faith, is that if they could forever be done with the restraints imposed by the anti-trust laws and get together to fix prices and volumes of production as they see fit, the path to financial paradise would be clear. Another element in this faith, and one that is readily understandable, is a sort of industrial Calvinism. Its devotees are persuaded that financial salvation is an individual matter. They believe that it is possible for a single industry to make arrange-

ments which will catapult it back to prosperity without regard to what is happening generally. Codes initially drafted in such a faith necessarily lack much in comprehensive consideration of all the interests involved.

When formally submitted to the N.R.A., these codes are the subject of preliminary conferences with the Deputy Administrator in charge and his advisers. Thereafter they go to a public hearing, designed to elicit facts essential to informed judgments on the validity of their provisions. It is at this point that there is one of the most important departures from the ideal reflected in the formal organization of the N.R.A. Those presenting codes have frequently regarded the continued reiteration of a desire to have certain arrangements made as conclusive evidence that the approval of such arrangements will promote the public interest. And, for a variety of reasons, the public officials charged with responsibility in the framing of codes have been unable to deflate these great volumes of unsupported argument with the factual information essential to informed judgments of their validity. For years the Federal Government has been delving deeper into the facts bearing upon the proper care and feeding of babies. Through some of its bureaus it has issued admirable manuals on dress making and cooking. But for years facts essential to an intelligent comprehension of the structure of our economic system and the manner in which it is controlled have gone relatively unexplored. As a result the N.R.A. came upon the scene with gaping holes in the economic information essential to well controlled experimentation of the type it represents. And in the code writing process the insistence that such gaps be at least partially filled as a prerequisite to approval of far reaching economic changes has sometimes been less forceful than it might have been, often because of the pressure of time.

In the absence of facts essential to fully informed decisions, the N.R.A. code writing process has inevitably tended to become a contest between pressure groups shaped by the power of these groups to advance their interests successfully. For such a contest, those representing business are generally the best prepared. They frequently are well organized. They have funds available with which to retain legal talent, skilled in dialectic and schooled in persistence. In some cases where they are well organized, labor groups are pretty well able to take care of themselves. Consumers, of course, are patently in the weakest position. Those attempting to promote and protect their interests can appeal to virtually no organized support. Indeed, they can appeal to little clear consciousness on the part of consumers of their role as such. For generations, people of the United States have been predominantly preoccupied with problems of production rather than those of consumption, with results of which the Consumers' Advisory Board has often been poignantly aware.

The lack of balance between pressure groups of consumers, workers and employers in the code writing process is aggravated by the fact that it has been and is still a very high speed process. This fact was brought home to me late one night when the Deputy in charge of the Code for the Gas Cook Industry arrived in my office in pursuit of the final report of our Board on that Code. I wearily remarked, "I think the nation will survive if the Gas Cook Industry does not get a code until tomorrow morning. I want to go



home." "I can understand that," replied the deputy, "but for the sponsors of this code it is the most important thing in the world right now. They are here in a body and insist that the code be approved at the earliest possible moment." For the business group submitting it, each code, of course, seems to be one of the most important things in the world but to those called upon to pass on the codes at a bread-neck speed with a limited staff, frequently extended right to the point of exhaustion, successive codes have inevitably tended at times to be merely further steps in a process extending over a far distant horizon. In a high speed contest between forces knowing what they want and concentrating exclusively on ways to get it, and forces much more thinly deployed over a much larger field of endeavor, it is obviously difficult to maintain an even balance of all the interests having a vital stake in code making.

The difficulty of preserving such a balance has not been eased by the fact that among the first N.R.A. codes approved were a number which ministered in rather abundant measure to the desires of their business sponsors to be relieved from competitive pressures. Whether in the light of all of the circumstances at the time they went too far in this direction is a question on which I do not attempt to pass judgment. The nation was embarking upon a new and unfamiliar process of code writing, and to get the parade started it may well have been necessary to offer the first-comers special inducements. A full test of the justification of these inducements must, of course, await much more experience with the codes than we have today. It remains true, however, that in its initial phases the code writing process was given an impetus which has not eased the subsequent drafting of well balanced codes. The fact that a provision is included in one code is not regarded as a precedent for its inclusion in other codes, and very properly so. As industries vary enormously so must suitable provisions of codes of fair competition vary to govern them. But it is not easy to persuade lawyers, long schooled in laboring precedents, that such is the proper ordering of affairs in the N.R.A. And many industries are represented at code conference and hearings by lawyers.

Operating in a setting, some of whose important characteristics I have endeavored to indicate, the Consumers' Advisory Board has labored diligently and faithfully both on behalf of consumers and success of the N.R.A. undertaking as a whole. In this endeavor, even its conception of the interests of its clients, the consumers, has been a matter of disagreement, both by Administrators and representatives of privately constituted consumers' organizations. In the Board's view, "consumers" are not concerned merely with sales at retail, but sales all along the line of production and distribution from field and mine to the store keepers' counters. If buyers of fuel for industrial use or buyers of manufacturing equipment pay unreasonably high prices, it seems to us, that the so-called ultimate consumer stands to lose and that the terms of such purchases are properly a matter of concern to the Consumers' Advisory Board. But, to cite but one of many examples of disagreement which happens to be in the official transcript of an N.R.A. hearing, we were told by a Deputy Administrator that we had no proper concern with soles of leather belting because "it is not sold to this house or that house; it is sold to a factory, like machinery." Thereafter in speaking of purveyors of leather belting this Deputy remarked, "These people happen to supply the man that is using the belt and some of the other groups (in the leather industry) supply the man who is making shoes. I do not see where the

consumer really comes in." We feel, however, and I submit rightfully, that the consumer does "come in" and in a very important way.

Another disagreement in the definition of our job, and one that seems to me of much importance, is that generated by our view that the consumers' interest is not the same as the public interest. Perhaps because it has long been customary to refer to consumers as "the consuming public", many people including some N.R.A. Administrators, regard the public interest and the consumers' interest as the same thing. But as we see it, there are in the case of privately owned industry three conflicting interests - those of consumers, workers, and owners or managers - a proper balance of which is essential to the public interest. In the case of bituminous coal, for example, purchasers at the mine have for years been able to obtain coal at prices so unreasonably low that the miners have been wretchedly rewarded for their labors, and many companies have proceeded through a succession of bankruptcies. In such a case, proper regard for the public interest may dictate that the particular interests of consumers in obtaining coal of good quality at the lowest possible prices be somewhat sacrificed on behalf of other parties having vital stakes in the production of coal. In other cases, consumers have been rather consistently forced to pay unreasonably high prices. Here the promotion of the public interest seems to us to call for a strengthening of the position of consumers, at the expense sometimes of workers and sometimes of owners and managers. The fact that consumers in the flesh are not a group apart from workers and managers, does not seem to us a valid reason for denying the existence of a distinct consumers' interest, and an interest whose clear-cut identification is essential to well balanced administration of an undertaking such as the N.R.A.

In endeavoring to see that the consumers' interest, as identified by it, is adequately fostered and safeguarded by N.R.A. codes, the Consumers' Advisory Board has taken seriously the official designation of these codes as codes of fair competition. It recognizes, of course, that in some industries such as those classified as public utilities, there has been a development which makes the drafting of a code of fair competition something of an anachronism. In these industries direct competition has been formally abandoned, in large degree, in favor of government regulation. And in many other lines of industry where the government has not formally recognized the passing of competition there has, of course, been a degree of corporate consolidation which reduces greatly the validity of reliance upon competition as an adequate guide and regulator of economic activity. In their distinguished study "The Modern Corporation and Private Property", Gardiner C. Means, a member of the Consumers' Advisory Board, and Adolph A. Berle, Jr., reported that of 300,000 non-banking corporations in the United States in 1929, only 200 or less than 7/100ths of 1% of the total, controlled about one-half of the corporate wealth. A more recent study by Dr. Means indicates that at the end of 1931, the control of these 200 corporations had come to embrace about 55% of the corporate wealth of the country. Under such circumstances, the drafting of the code of fair competition is frequently impossible in any large sense of the term. To do so, it would be necessary to embark upon an enormous undertaking of corporate unscrambling, toward which there seems to be little general inclination at this time. None the less, it remains possible to try to see that fair

competition is not eliminated in those parts of our economic system where it still persists - they are quite numerous and important - and also to see that it is not further eliminated in those economic sectors where it still prevails, in some degree, unless compensating safeguards for the consuming public are provided. Indeed, such an effort must not only be made, but it must succeed, to escape the risk of having the N.R.A. work in reverse as a recovery program. If increases in wage payments are converted into spring boards from which to leap to new schemes of private monopoly, the chance of having the N.R.A. result in a net increase in purchasing power are very poor indeed.

In endeavoring to aid both consumers and the N.R.A. to avoid this unhappy result, much of the advice offered by the Consumers' Advisory Board has been negative in character. We have been confronted by a great variety of code provisions, which, by reference to any available standards, have seemed to us directed to the unreasonable throttling of competition rather than its perpetuation on a fair plane. A full catalog of such provisions would be for you an exhausting chronicle. Not only are many of the provisions almost prodigiously complicated, but even their general labels are so forbidding or uninteresting that a mere recital of them is for many an effective soporific. I refer to such dully labeled devices as open price systems, provisions against selling below cost, uniform accounting systems, plans for limitations of output by plant quotas or limitation upon machine hours, restrictions upon the installation of new machinery, zone freight and basing point systems, functional price differentials, and plans of resale price maintenance. The fact that there is no dramatic value inherent in these labels, seems to me, on the whole, unfortunate. I recently talked with a distinguished newspaper correspondent who remarked sadly that he could not report the N.R.A. with any sense of satisfaction because of this fact. "You cannot dramatize provisions against selling below cost," he said, and hence dismissed them as inappropriate newspaper "copy". The fact is, of course, that the content of a particular provision against selling below cost and the manner of its administration may reshape entire industries and crucially affect the welfare of persons depending upon them for their livelihood. But it remains unhappily true that there are few quickly grasped surface manifestations of such potentialities, and that the method of ascertaining their full meaning entails very wearing economic excursions.

In general, and always willing to depart from any rigidly fixed views in deference to a peculiarly cogent set of facts, the Consumers' Advisory Board has counselled against the inclusion in codes of provisions restricting the scope of competition, apart from those provisions establishing minimum wages and maximum working hours. Last week an exception was made in the case of the Booksellers Code, where a limited plan of resale price maintenance -- a device which we generally feel has no place in a code of fair competition ---was given our approval. Here the situation appeared to be that general merchandizing establishments have been purveying "best sellers" at substantial losses to themselves, in order to attract customers to their stores, and thus playing havoc with stores dealing in books exclusively.

On the theory that a delay of six months in cut prices for "best sellers" would not work an irreparable injury on the intellectual well-being of the country, and might conceivably serve to protect from extinction a desirable cultural institution -- the book store, we agreed to -- indeed I believe helped to devise -- a plan calculated to maintain publishers list prices on certain classes of books for a period of six months. Whether such a scheme will prove economically desirable is problematical, to say the least. But it seems a mildly rational method of dealing with a genuine competitive abuse in the public interest.

There are many other fields of economic endeavor, notably those occupied with the exploitation of wasting natural resources such as coal and oil where we recognize that competition, as it has worked out in the past has been a miserable protector of the public interest. Here, where we have had misgivings about devices to limit the scope of competition they have been based not upon a faith in competition per se but upon a doubt of the adequacy of the remedies proposed. In the case of soft coal, for example, we feel that control of mine output under suitable government auspices would have a better chance of ministering effectively to the manifest ills of the industry than schemes permitting business groups to fix prices of coal at the mines, subject to subsequent review by government officials.

There are many other cases where limitations upon the scope of competition seem to us to be fair enough, in principle, but where we have felt that the remedies proposed promised to generate greater ills, than those they are designed to cure. For example, there is much to be said, in principle, for discouraging certain types of sales of products below their cost of production. Such sales may be weapons in a cutthroat competitive warfare from which the public has nothing to gain in the long run. However, the perfection of devices to prevent such sales without introducing more than overbalancing shortcomings is a puzzle which, under the recovery act as at present drafted, largely remains to be solved. At the recent Code Authority Conference in Washington, which brought several thousand business men, either serving on Code Authorities or endeavoring to perfect codes, into a most remarkable conclave, Mr. A. D. Whiteside, an N.R.A. Division Administrator, remarked that "the cost provisions are not entirely wrong by a long shot. There is a tremendous moral effect..... they have deterred price-cutting, and from an ethical standpoint they have served their purpose during the interim". However, in making the provisions against selling below cost at present embodied in N.R.A. codes reasonably enforceable there is an almost inexhaustible supply of headaches for administrative officers. And if such provisions can be made administratively feasible -- a tremendously complicated and expensive task -- there is some reason to believe that the wear and tear for business itself will over balance the gains in relief from cutthroat sales below cost though such relief is much to be desired.

Of the same general character in their potentialities for killing perhaps a whole flock of birds with one stone are the provisions for so-called open price systems which have constituted an extremely lively subject of discussion in the N.R.A. Those participating in such systems report their prices to a central agency, sometimes with provision for a waiting period before the prices become effective, sometimes without. Perhaps the major



argument advanced in favor of such a plan of price reporting as a public benefactor is that it brings price competition into the open, as the name of the systems implies, and thus, protects honest competition from subterranean and generally ruinous sales practices. That there is occasion to be concerned about such practices is clear enough. There are real dangers from monopolistic buying as well as monopolistic selling. Open price systems have potentialities for spotting cases where powerful buyers are clubbing weaker sellers into price bargains which are unreasonable, from the public point of view. But at the same time such systems also have possibilities, which have already been tested, of facilitating agreements to fix prices without any adequate public participation in the process. This is particularly true when open price associations are combined with provisions against selling below cost. The nature of the possibilities along this line is indicated by the following excerpts from a letter written by the Secretary of a Code Authority to a firm whose prices were lower than most of the members of the industry desired to have them. I quote:

Your filed prices were roughly 10 per cent less than those filed by your competitors. In view of their experience in the manufacturing of a similar grade, they feel it doubtful that you could justify such prices. Consequently, I feel sure that you will want to revise your prices so that they will bear a closer relation to those of your competitors. They pointed out that in the event you found yourselves unable to cooperate, it was the opinion of some of the members that they might have to resort to procedure provided \*\*\* by the code. Under this provision, a member may complain to the Code Authority in regard to your price schedule. This will lead to an investigation to ascertain whether this price can be justified \*\*\* Such procedure is of course unpleasant and costly. I am sure this matter can be straightened out without resorting to any such action.

It was pointed out that in the event the investigation proved that this price schedule could be justified on the basis of your own cost, that the members would then be forced to meet your price. This would then destroy your existing competitive advantage and merely serve to lower the existing price structure to no avail.

If the plans proposed in N.R.A. codes for limiting the scope of competition could be brought under surer supervision on behalf of the public I suspect that the Consumers' Advisory Board would look more favorably upon some of them. It is not, as a group, persuaded that the economic gospel, according to Adam Smith is entirely appropriate to the best conduct of economic life in the United States in 1934. However, suggestions that there be greater public supervision of code provisions restricting competition are almost uniformly met by the argument that the N.R.A. is an experiment in "self government of industry." Just what that phrase means seems to be, in considerable degree, a matter of individual taste. But it is commonly interpreted by the sponsors of codes to mean that, subject to a certain amount of review by representatives of the N.R.A., business groups are to administer the codes. Under such circumstances it would be a reckless advisory body that did not endeavor to have the powers over business practices granted by the codes rather closely circumscribed

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In terms of liberalism, radicalism and conservatism which have been much discussed of late the attitude of the Consumers' Advisory Board toward the N.R.A. code writing process has, I think, some amusing aspects. The Board, as a whole, is composed of people who would, I am sure, wish to be classified as Liberals. But in the N.R.A. their's has rather consistently been the conservative side while the radical economic departures have been pressed by business groups who would bitterly resent any label other than that of Conservative. Uniform price fixing by industries, for example, is basically one of the most radical of departures in the kind of economic system that has been developed in this country. But the pressure for such departures has come from business groups, jealous of their right to be labelled as conservative.

While it has offered much negative advice in the N.R.A. code writing process, the Consumers' Advisory Board has also offered a great deal of what it regards as constructive advice. It has consistently sought to have the codes make provision for accurate labelling of the quality of the products and services to which they apply. Obviously, in a code of fair competition the quality of products and services is quite as important a consideration as the dollars and cents involved. And on this indisputable ground, we have endeavored to make the codes mediums for the improvement of quality standards. In this effort we have sometimes argued, and I am sure rightfully, that if adequate systems of quality labelling were adopted destructive price cutting would be far more difficult, and there would be much less apparent occasion to experiment with elaborate schemes of price control. I personally have discovered that "quality standards," which I once thought were inherently righteous, are very tricky things with which to work. It is quite possible to promote private monopoly through provisions for certain types of quality standards, and they bear watching accordingly. But they also have enormous potentialities for cleaning up the competitive process in the United States which we have endeavored to develop.

Also we have sought to have the Code Authority, called for by every N.R.A. code, developed as a well-rounded agency for industrial administration by having suitable consumer representation upon it. In the Code Authority there is possibly the germ of an institution which might save the United States an enormous amount of economic woe. For more or less free competition we have developed on a broad scale only one substitute. That is the type of regulation applied to industries classified as public utilities. It seems clear that reliance upon competition has made a mess of things in a good many cases. But at the same time it is impossible to study the history of public utility regulation, and believe that it is a much more hopeful method of controlling economic life. To support that statement I have only to mention the scene which Mr. Insull, now on the high seas, is being brought home to survey. The Code Authority, if made sufficiently representative of consumers and workers as well as business men, may provide a way out. If there can be a reasonable degree of participation by all the interested groups in the administration of industry, there are possibilities of great economic gain. In striving toward that end the Consumers' Advisory Board has endeavored to have consumers represented on the N.R.A. Code Authorities, and supported the Labor Advisory Board in its efforts to have labor representation on codes. It has also sought to have the codes provide for the amassing of economic information essential to intelligent public appraisal of performance under them.

One's estimate of what has been accomplished for consumers by the N.R.A. depends largely on the point one chooses from which to take sightings, it also depends upon the elements which one chooses to stress in a closely inter-woven development of which the N.R.A. is only one part. Our studies indicate that since the N.R.A. was launched there has been an increase in consumers' purchasing power. Not all industries operating under N.R.A. codes have contributed to it. Some have undertaken to extract more from consumers through higher prices than they have contributed to consumers' purchasing power through increased wages. And many individuals receiving fixed incomes, of course, have had their purchasing power decreased by higher prices, though the higher prices are frequently quite appropriate to the increased costs necessitated by the payment of relatively decent wages.

The increase in consumers' purchasing power, as a whole, has been occasioned by many forces both governmental and private other than those generated by the N.R.A. It is therefore, extremely difficult to measure accurately the contribution to the increase made directly by the N.R.A. On the right side of the ledger, so far as consumers are concerned, can also be placed the fact that pioneer governmental agencies delegated to look out for their interests have been created, and have at least done a little excavating. And in the case of the N.R.A. there is a major safeguard for consumers in the provision that the codes may be modified at any time during their life by executive order of the President. It was the existence of this safeguard, I imagine, which encouraged a high speed process of getting industries under codes even at the expense of not having all of them placed under the best possible codes. Whether that will prove to have been a good idea I do not pretend to know. Personally I would prefer quality production of codes to mass production. But I recognize that I may be wrong about it.

While I dismiss as either pathological or political those critics who indiscriminately complain that nothing has been done for consumers under the N.R.A., I do not believe for an instant that nearly as much has been done as should have been. Specifically along the lines I have been endeavoring to trace the codes contain many provisions which I am sure cannot be reconciled with any reasonable concept of fair competition, and over which there is no adequate public supervision. For example, it seems to me that a large array of price fixing devices must be eliminated from the codes if they are to serve the ends for which they were authorized. This idea, is, in no sense, original with me. On February 27, in opening a general round up for public criticism, General Johnson listed twelve points where improvement in the N.R.A. set-up is in order. In this connection he mentioned the need of "a more uniform and equitable rule of national price stabilization in those cases where it is necessary to maintain wages at a decent standard against certain results of predatory and cutthroat competition, and further insurance against increase of price faster and further than increase of purchasing power." It has not been possible thus far, however, to perfect such a rule. In the development of quality standards, which are patently essential elements of codes of fair competition, extremely little use has been made of the available resources, though there are some slight prospects of improvement along this line. Here the element of speed in the code writing process, to which I have previously referred, has played an important part. Recently the appointment of consumers advisers to the Administration members of code authorities, to be nominated by the

Consumers' Advisory Board, has been authorized. This is an important gain for consumers, but one that, in my view, by no means provides the degree of consumer participation in code administration that is essential to good balance. And though some headway has been made in getting the information essential to informed public appraisal of the operation of the codes, I feel that it has been altogether inadequate to the necessities of the case - a conclusion with which I am sure there would be rather general agreement in the N.R.A.

How the position of the consumer can be strengthened is not a question to be answered lightly. Yet I am sure that it must be done lest the organization of business groups by industries, which is proceeding apace under the N.R.A. along with a somewhat more lagging organization of labor, result in a set-up where consumption is squeezed by monopolistic groups seeking higher prices. This has happened in Europe where, in some cases, organized employers and organized workers have joined forces to exploit the buyers of their products. The dangers of such developments under the N.R.A. are not to be dismissed lightly.

In pursuance of its clear determination to give consumers the best possible break in the recovery program the National Administration, through its National Emergency Council, has recently established a Consumers' Division of the Council. For this very important development Mrs. Mary H. Rumsey, Chairman of the Consumers' Advisory Board and as a member of the National Emergency Council its adviser on consumer problems, is, in large measure, responsible. In addition to coordinating the work of the consumers agencies of the N.R.A. and A.A.A., particularly in dealing with price problems, this division is embarking upon the unprecedented experiment of developing local consumers' councils, generally along county lines. These Consumers' County Councils, of which we hope to have about two hundred in operation shortly, constitute a step in the direction which most people say any hopeful plan to strengthen the position of consumers must take - that of organization. And though appropriately limited, in their initial stages, to the reporting and disseminating of purely factual economic information, they seem to me to have extremely interesting and important possibilities. But while greater organization of consumers is obviously essential for the protection and advancement of their economic interests, it must be recognized that really useful organization of this type, is, under the most favorable circumstances, a slow and difficult process. In the meantime there is a rapid flow of economic events affecting vitally the welfare of consumers.

Under such circumstances it seems to me that the public protection accorded to consumers' interest must continue for sometime to be controlled largely by the independent judgments of governmental officials on the necessities of the case. Those in command of undertakings such as the N.R.A. must be vitally and intelligently concerned with the welfare of consumers and prepared to make decisions accordingly, regardless of mass pressure exerted upon them, if consumers are to receive the consideration essential to the success of the undertaking as a whole. The finding of personnel equipped to do that is a terrific job. Indeed, as I have continued to labor in the N.R.A., it has been increasingly borne home to me that a much more crucial element in the undertaking than the ideology underlying it, is that of finding people well enough equipped in technical skill and social vision to carry it out.



How that element can be mastered on short notice I do not pretend to know, so I leave it with you as merely one more of the crucial consumer questions on which the Consumers' Advisory Board is diligently at work. Perhaps at Cornell, where I know there is great capacity for social and economic invention, you can find an answer. If so, please forward it to us at once, preferably in the form of a lot of living examples of master administrators. Then the Consumers' Advisory Board can cheerfully relinquish its job in confidence that the New Deal for Consumers will be a better deal than any they have had in the past, as the National Administration very clearly wishes it to be.

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SUGGESTIONS FOR CODE REVISION

FROM

THE CONSUMERS' ADVISORY BOARD

NATIONAL RECOVERY ADMINISTRATION

(Contained in a memorandum to General Hugh S. Johnson,  
dated February 19, 1934.)

C. A. B. No. 55.



TO: GENERAL HUGH S. JOHNSON  
FROM: CONSUMERS' ADVISORY BOARD

February 19, 1934.

SUBJECT: SUGGESTIONS FOR CODE REVISION

During six months of endeavor to fulfill the responsibility assigned to it by you, "for watching every agreement and every hearing to see that nothing is done to impair the interests of those whose daily life may be affected by these agreements," the Consumers' Advisory Board has made certain observations on the working of approved codes which it feels should be embodied in a carefully considered report of the Board. The report is submitted in an effort to assist you in connection with the revision of codes at the meeting of Code Authorities, soon to be held."

EFFECT OF RECOVERY PROGRAM ON PURCHASING POWER

The first of these observations is that the national recovery program, in addition to striking effectively against child labor and sweated labor, has succeeded thus far in its major objectives to increase consumers' purchasing power. Charts prepared by the staff of the Consumers' Advisory Board, copies of which are attached, indicate, however, that while there has been a net increase in consumers' purchasing power since the inauguration of the recovery program, rising prices at retail have partially offset the increased money income of wage workers and farmers. The charts are necessarily based on incomplete information, and do not attempt to isolate the various elements of the recovery program, such as the N.R.A. and the A.A.A., which have affected incomes and prices. It is possible that the N.R.A., taken alone, has provided a much larger margin of increased purchasing power than that indicated by the charts, but the general economic setting in which it has operated is one where the price income relationship is of the character indicated.

Other elements in the general price situation, not indicated by the charts, appear to the Board to present certain dangers. The first is the fact that retail prices have not yet fully reflected the price increases of the wholesale markets, so that a considerable number of new price increases may be expected in the spring. Retailers assure us that such will be the case, and no evidence has come to us to suggest the likelihood of counter-balancing decreases. The second is that unless the standards for wages and hours are decidedly changed the increase of wages and employment required by the codes lie mostly in the past and that, since inventories have been fairly well built up, the growth of payrolls is not likely to continue unless there is further growth of the final consuming market. Although some consumers probably will spend more as they finish paying old debts, we doubt the wisdom of relying upon such unponderables. A third element is that the average purchasing power per employed industrial and commercial worker has been decreased by rising prices, as indicated on Chart II. Although the new workers employed at minimum wages, necessarily pull the average down it seems very probable that the low average also means that some of the gains of the reemployment program have been made at the expense of the previously employed. This probability emphasizes the necessity of following the injunction which you gave to the National Retail Dry Goods Association, in your New York address of January 18th, to keep prices down.

In spite of this necessity, which you have continuously stressed, certain developments under the N.R.A. seem not to be working in this direction. Evidence gathered by the Consumers' Advisory Board, partly in connection with the recent hearings on price changes and partly through the examination of complaints received by it, indicate that arrangements to fix uniform prices have been made in the case of numerous products, sometimes locally, sometimes nationally, sometimes with code sanction and sometimes without. Cases in point, affecting cement, chemicals, electrical equipment and supplies, ice, lumber and building materials, machinery and tools, office furniture and supplies, petroleum and supplies, rubber products, scientific apparatus, steel and fabricated metal products, and a variety of other items are shown in Appendix A.

We have reason to believe that these products represent only a small part of those affected by uniform price fixing. We have received a number of letters, such as the following, expressing the belief that uniform price fixing is part of the established order under the N.R.A.:

"A client of mine is a member of a group who has formulated a code but which has not as yet been filed.

The code as constructed does not include a provision whereby a committee of the group can fix definite retail prices for certain products. My client has been called as a member of the cost committee and he has been advised by other members that it is legal to fix prices, not on a percentage basis, but on a fixed price basis.

My client is aware of the desire of the President not to increase sales prices unduly and as the program laid out to my client is a price set irrespective of how low the cost, the profits, in some cases, would be exceptionally high.

Will you, therefore, kindly advise whether the fixing of prices in the manner described is contemplated under the Recovery Act or not?"

We also have evidence indicating that a number of industries have increased prices more than can be justified by increased wage payments under the N.R.A. In such cases the President's suggestion that price increases be deferred even at the expense of full initial profits have been overlooked in what appears to be an understandable eagerness to recoup heavy losses of recent years. Industries which our observations indicate may have retarded the recovery program by increasing prices more rapidly than they have increased wage payments include, the lumber industry, where the price increases on saw mill products appear to have been about twice as large as would be justified by increased wage payments; the paper and pulp industry in which the price increases seem to have been about two and a half times the increase justified by wage costs; and the petroleum industry (whose N. R. A. code is now being administered by the Department of the Interior) in which consumers' annual bill has apparently been increased five or six times as much as the increase in the industry's annual wage bill. Such comparison

imply no criticism of the fairness of the prices in question, but are directed to the crucial question of increasing consumers' purchasing power in conformity with the design of the N.R.A. Studies not brought fully up to date indicate that, in widely varying degrees, the following industries may also have failed to increase mass purchasing power:

Furniture  
Bituminous coal mining  
Knit goods  
Men's shirts and collars  
Brick and tile  
Cement  
Paints and varnish  
Glass

Our knowledge of this particular development, in the study of which we have been cooperating with the Division of Research and Planning, is relatively limited, because of the small staff available to follow it, and there is no reason to believe that the industries mentioned include all of those which have failed to expand mass purchasing power.

This tendency in some industries to forget the recovery program in their own interests is, of course, strengthened by any arrangement which make the determination of prices a matter of agreement among the members of the industry. The Board feels, therefore, that it is vital to the success of the program to reconsider with the greatest care arrangements authorized by codes which have this effect and to move quickly to appropriate revisions. In this matter it subscribed fully to the views expressed by Division Administrator A. D. Whiteside in his intermediate report of the price change hearings.

Provisions which we think should be very critically re-examined include those relating to open-price systems, cost provisions and cost accounting systems, restriction of output by allocation or by limitation upon machine hours or plant operation, or upon the installation of new machinery, systems for artificially determining freight charges and market areas, arrangements to establish fixed price differentials for different classifications of customers, resale price maintenance and specific code authorization of price fixing. Analysis with respect to such provisions has been made for the first 180 approved codes. Provisions for open-price systems are found in 81 approved codes. Of these 73 provide for a waiting period between reporting prices and making them effective, or for some means for competitors to meet the new prices on the effective date. Provisions against selling below cost are found in 125 out of the 180 approved codes. Of these 125 codes, 3 define cost as an average for the industry: 3 define it as a combination of individual concern's and average cost; 8 define it as the cost of the lowest representative member of the industry or as "fair and reasonable" or "allowable" cost; 111 define it as the cost of the individual concern. Of the 111 codes which use individual cost, only 45 specifically permit members of the industry whose costs are high to sell below cost to meet competition.



Provisions for the limitation of machine hours appear in 24 approved codes, and for allocation of production in 3 approved codes. Some form of provision for restriction of installation of new machinery or of other extension of industry capacity is contained in 28 codes. Basing points are established by 7 approved codes, zoning systems by 6 approved codes, and freight equalization and other systems of delivered prices by 33 approved codes. Fixed price differentials between different classes of customers are authorized by 38 approved codes. There is provision for resale price maintenance in 23 approved codes. Nineteen of these specifically provide either that distributors must adopt the prices of the producers from which they purchase, or that producers are prohibited from selling to distributors who do not comply with the selling schedules of their suppliers. Two codes provide that producers may enter into agreements with their distributors on resale policies. Two other codes contain provisions for fair trade practices which permit control by the producers over the resale prices of the distributors. Finally 17 approved codes provide for some degree of price determination by the President, Code Authority, or other agency. 6 codes allow the Code Authority to establish price differentials. Appendix B gives the names of the codes in question. The work of analyzing approved codes, being carried on by the Post Code Analysis Section of the Division of Research and Planning, is not yet complete, and the lists submitted may therefore require some modifications.

#### OPEN PRICE SYSTEM

The recent hearing on price changes produced a considerable volume of evidence that open-price systems are facilitating uniform price fixing. Recognition of the facts disclosed at the hearing has been made by an order which provides that any arrangement for a waiting period in codes not yet approved will be stayed in the Executive or Administrator's order of approval, for sixty days or pending completion of a study of the operations of open-price systems, and in Divisional Administrator Whiteside's report in which he emphasizes the dangers of such waiting periods. Detailed determination of what should be done with regard to open-price systems must await the completion of studies now being made, but the information at hand indicates that the difficulty cannot be dealt with merely by elimination of the waiting period. The basic difficulty as we see it is that open-price systems, with or without waiting periods, identify the person or firm quoting the low price and thus facilitate the use of pressure to force his price up to the level generally desired in the industry. Evidence in our files indicates that such pressure is being applied not only where open-price arrangements have definitely received code sanction, but in instances where there have been efforts to establish uniform prices without code sanction. Quotations in point are presented in Appendix C.

A remedy is to eliminate such pressure. We believe one way to do it is to point out frequently and forcefully that uniform price fixing is not a part of the N.R.A. program and, as you have stated, unless sanctioned by a specific provision of an approved code, is contrary to law. While we do not believe it desirable to eliminate the reporting of prices and price transactions completely, we feel that it would be possible to throw safe-guards around the reporting in such a manner as to make more

difficult the harassing of those who would keep prices down. To this end we suggest as worthy of your consideration, that actual prices charged in sales already made, be reported to an N.R.A. agency pledged to keep the detailed reports confidential and to supply to members of the industry only statements of the range of prices at a given date. If the reported prices indicate the existence of questionable conditions we believe that remedies can best be applied by such an agency rather than by those who have private interests at stake.

#### PROVISIONS AGAINST SELLING BELOW COST

Provisions against selling below cost, as we understand it, were inserted in the codes in an effort to check predatory price cutting. We assume that such provisions were not intended to serve as a means of fixing uniform prices for industry, with such prices so fixed that efficient concerns suffer a restriction of output for the benefit of less efficient concerns. Nor do we think it was intended to have such clauses used to maintain the inflated capital structures of 1929. As these provisions have been written in certain instances, however, they provide, in effect, for relatively high and uniform prices for industries as a whole. This is done by basing prices upon average costs which are necessarily higher than the costs of the more efficient producers. Codes whose cost provisions are of this character, together with the nature of the standard cost specified, include the following:

##### Average Costs

Lumber and Timber Products  
Lime  
Cigar Container

##### Average Overhead

Builders Supplies  
Retail Lumber  
Structural Clay

##### "Fair and Reasonable" or "Allowable" Costs

Rolling steel Door  
Limestone  
Malleable Iron

##### Lowest Representative or Lowest Reasonable Cost

Millinery and Dress Trimming  
Excelsior and Excelsior Products  
Fire Extinguishing Appliances  
Motor Vehicle Storage and Parking  
Refractories



In addition, it has recently been made a general N.R.A. policy to permit the Code Authority, when it finds its industry is confronted by an emergency, to determine "The lowest reasonable cost for the products of this industry." It is provided further that such a determination may serve as a basis for minimum prices, sales below which constitute an offence against the code. This policy, in addition to making emergencies attractive to industry, has the effect of permitting the establishment of uniform minimum prices in all cases where it is adopted by industry.

With representatives of the industry furnishing the cost information we have reason to believe they are not niggardly in their estimates. When such is the case they seek from the consuming public through uniform prices based upon a high average of costs more than is paid out to increase purchasing power through higher wages. Such arrangements also have the effect, as previously indicated, of shifting production from the efficient firms which could, if permitted, make money by selling at much less than the average cost, and transferring it to high-cost establishments. As a result, in applying provisions against selling below what amounts to an average cost for an industry, some large price increases have been obtained. Though we have been unable to secure accurate information indicating the extent to which these price increases have been occasioned by increased wage payments, it seems extremely likely that the balance has been tipped very heavily against a net increase in real purchasing power. An outstanding example of this is the lumber industry.

Many of the provisions include such elements of cost as charges for excessive and obsolete equipment, selling expense, and even returns on investment. Such provisions raise the question of whether or not recovery can be secured while basing minimum prices upon charges for the use of plant and equipment, etc. which would only be appropriate to a far larger volume of sales and a far larger volume of consumers' purchasing power than now exists, and in some cases than ever has existed.

If the cost provisions of the codes are to promote rather than retard the recovery effort, we think that the following general propositions should govern them:

1. Individual cost rather than average cost for an industry should be used; and the provision that there may be sales below individual cost to meet competition should be applicable in all cases.
2. The formula for determining cost by each individual concern should be carefully defined and approved by an agency of the N.R.A., specially equipped to deal with such problems, and to supervise continuously the working of cost formulas and cost accounting systems.
3. Such a formula should include actual outlays for labor and materials, both direct and indirect. It should not include selling expenses or financial costs, or a larger proportion of the total overhead than the ratio of the present output to the normal output of the enterprise--normal to be taken as the average output for a period of years.

Such limits are based upon the assumption that the cost provisions are intended to set the lowest permissible limit to price cutting rather than to guarantee operation at a profit and that they therefore apply only in periods when distress has limited the consumers' buying power and has imposed upon industry a peculiarly difficult problem in disposing of its products.

In view of the great technical difficulties of handling cost formulas on any terms, and in view of the clearly established danger that they will be used to facilitate plans for uniform price fixing, we feel that a more effective way of stopping predatory price cutting would be to outlaw it in general terms and have an agency set up in the N.R.A. to deal with specific cases promptly, thus gradually building up certain general rules which might be safely applied. In view, however, of the fact that it has been a fixed policy of the N.R.A. to encourage provisions against selling below cost, we submit the propositions outlined above as minimum standards to govern the application of such provisions.

### OUTPUT LIMITATIONS

While we recognize that limits upon output and systems of dividing output among producers in the field may be desirable in a few industries which are in a state of virtually complete collapse, we feel that the application of such limitations is dangerous unless carefully supervised. General restrictions upon machine hours inevitably have the effect of forcing efficient producers to follow the pace of the less efficient and thereby increase the consumers' bill disproportionately to the increase of purchasing power through expanded wage payments. In our view, provisions giving the Code Authority power to adjust output periodically and establish quotas for members of an industry involve the recognition that private business cannot operate in the industry without the formal restriction of output which is characteristic of monopoly. Such provisions, even if legal under the N.R.A., seem to us contrary to the spirit of that section of the act creating it which forbids monopolies. Where such remedies are needed, we think that they should be applied directly by the Administrator. Of three codes making provision for periodic determination of output and the fixation of individual quotas two leave it to the Code Authority.

The effect of leaving decisions of this sort to private interests or of limiting public action to consideration of plans submitted by them has been, as we see it, to encourage unwise restrictions of output and to allocate that output among producers upon unwise principles. Quotas assigned to the industry by the Code Authorities have been set low at the expense of employment, when it appears that a healthier alternative from the point of view of the consumer would have been to seek larger sales and increased employment through low prices.

The principle generally followed, in dividing the limited output among the available producers, gives each producer a proportion of the market equal to his relative producing capacity. The effect of such procedure is to limit the production of those efficient concerns whose ability to supply products of good quality at low prices has given them operation relatively near their capacity, and to encourage, at their expense, the

continued existence of concerns which could not otherwise survive. In lumber this practice went so far that even though total production and sales were declining establishments were revived which had been shut down for the last two or three years. Such a division of the output of industry keep production costs high and creates a situation in which members of the industry need to overcharge the consumer in order to survive. Because of the impossibility of foreseeing all of the abuses to which it is subject we think that allocation or restriction of output should be surrounded by the following general safe-guards:

1. The quotas for restriction and allocation should be directly determined as well as supervised by the Administrator.
2. Insofar as measures of efficiency can be found, systems of allocation should give preference to the more efficient producers.

Much the same considerations apply to numerous provisions in codes placing limitation upon the installation of new capacity. In the light of the great desirability of expanded activity in the capital goods industries, and in the light of the patent indisposition of members of an industry to welcome new competitors, we feel that, although unwise expansion of capital equipment should be discouraged, provisions controlling such expansion should be administered by a public agency. We believe that to give the Code Authority a large measure of control in deciding whether the installation of new capacity is to be permitted, as is the rule in the administration of provisions of this type, is to place an unreasonable temptation before the business interests involved.

#### BASING POINTS, ZONE FREIGHT SYSTEMS AND OTHER SYSTEMS OF DIVIDING THE MARKET

A number of the approved codes provide for basing point systems, zone freight systems, and similar arrangements. While we are not prepared to deny that such devices may be needed and used fairly in some industrial situations, their history is one of grave abuse. There is abundant evidence to show that in the past such systems have been used to load upon the consumer charges for imaginary freight, and to confront him with a system of arbitrarily uniform delivered prices. They have fostered discrimination between one buyer and another, and uneconomic cross hauling of goods as well as production at uneconomic points. Since there is such a strong case against them, we believe that devices of this type should be permitted only under peculiarly close scrutiny by the Administrator to guard against potential abuses.

In trying to discover whether existing basing point systems avoid such abuses, we have asked for information about the amounts of product made by each producing center and the points to which this production is distributed. Specifically we have sought this information about the steel and lumber industries. Thus far we have been able to obtain no information sufficiently detailed to determine to what degree the basing points established permit the abuses mentioned. Evidently the Code Authorities themselves do not have this information. Therefore, we urge that in all cases where there are basing

point systems, zone freight systems and other systems of dividing the market, each Code Authority be instructed to compile immediately the information which the Division of Research and Planning may think necessary to an appraisal of the economic significance of the particular system of dividing the market used in the code. We recommend that, as soon as this information is available, all basing point systems, zone freight systems and other systems of dividing the market be reconsidered in the light of the facts and that any changes be made which may then seem desirable. We suggest that the principle underlying such changes should be to establish, as nearly as may be practicable in each case, a system in which each market is served by its nearest sources of supply and in which the freight charged corresponds to the freight actually paid.

Though, of course, willing to be guided by the facts when they become available, we feel that the present danger of having prices outstrip increased wage payments makes it peculiarly undesirable to experiment further with price systems of this general type. The history of such systems, as provided in studies of steel and cement, by the Federal Trade Commission, supports suggestion made above which is especially urged in cases where no such system has in fact existed before the introduction of a code.

#### FIXED PRICE DIFFERENTIALS BETWEEN DIFFERENT CLASSES OF CUSTOMERS

The formidable drive to embody in N.R.A. codes fixed price differentials between different classes of customers has been motivated by two major and somewhat conflicting desires. One is the desire of intermediate distributors such as jobbers and wholesalers, to operate upon a margin protected by law from the competition of more direct methods of distribution. The other is the desire to avoid having their prices driven down by the bargaining strength of large buyers who demand discounts greater than can be justified by any lowering of costs attendant upon filling their large orders.

It seems desirable to prevent very large distributors from clubbing unreasonable discounts out of manufacturers, but it is very undesirable to freeze the present system of distribution by setting up arbitrary price differentials to apply to different stages of distribution. It seems to us that the dangers of artificially bolstering our system of distribution through a scheme of fixed differentials outweigh any advantages this device may afford in protecting sellers. Buying abuses we feel can best be handled by an administrative agency prepared to deal promptly and decisively with complaints of price chiseling by very large buyers rather than by a general system of price differentials. Our experience with complaints indicates that the producer is much more likely to have facilities for registering an effective complaint against a buying monopoly than the ultimate consumer is to have the necessary information and facilities for complaining effectively against an excessive distributing charge.

#### RE-SALE PRICE MAINTENANCE

The present policy of refusing to include provisions for re-sale price maintenance in N.R.A. codes was adopted after such provisions had

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been included in 8 codes. Since the adoption of this policy 15 codes have been approved which either directly or indirectly make possible group action for re-sale price maintenance. Such arrangements go far beyond the reinforcement of the well established right of the individual seller in private enterprise to choose his own customers and sell to them on such terms as he sees fit, and tend to deny to the consumer the advantages which should accrue to him as a result of the efficiency of some distributors. We feel that these considerations, which were recognized in the establishment of the present N.R.A. policy with reference to re-sale price maintenance, are applicable to the codes generally and that code revision should include elimination of provisions permitting this practice.

#### PRICE FIXING IN CODES

A limited number of codes in which it has been provided that minimum prices are to be fixed by authority of the code do not differ essentially from some of the codes where there is no mention of such an arrangement. By using an average cost as the basis of the minimum price to be charged by the industry and coupling with this some standard form of freight charges, much the same result is obtained as though uniform prices were authorized in the first instance. Consequently, the observations previously made in discussing cost provisions apply to the codes where uniform price fixing is explicitly authorized. An additional objection to price fixing in accordance with explicit code provisions is that the prices set tend to be more rigid than those attached to some cost basis, and also tend to be set without any explicit accounting of the cost elements involved. This was notably true of the code for the cleaning and dyeing industry where, given an authorization to fix minimum prices, representatives of the industry proceeded post haste to set a schedule of such prices without making even a plausible pretense that they had analyzed the costs in the industry.

We recognize that where an administration is confronted with a market crumbling speedily under demoralized conditions there is something to be said for minimum price fixing as an emergency measure, under strict public control and under strict time limits. However, such a device, like a protective tariff, is very difficult to abandon when once embarked upon. Furthermore, when minimum price fixing is authorized for one industry, perhaps for good reasons, there is inevitably set up the basis for an enormous clamor for it by industries in which an emergency has come to seem attractive. Therefore, we feel that such minimum price fixing should be eliminated from all codes, there being no emergencies at this time which would justify it in the industries where it has been granted.

In this connection, this Board proceeded initially on the assumption that price fixing might well be explicitly authorized in the case of wasting natural resource industries. Our experience, however, has led us to believe that price fixing is at best an extremely dubious remedy for the admitted ills of a number of these industries and that if a decisive change in the conditions prevailing in the markets is required, a far more desirable method of procedure is to provide for allocation of production at the source, with safeguards such as those indicated previously, and to avoid the fixing of prices in the distributive process.



## QUALITY STANDARDS AND INFORMATIVE LABELING

As you have stated, the reasonableness of the prices of products depends not merely upon the dollars and cents involved, but upon the character and quality. On that account this Board has consistently endeavored to utilize the codes to secure improved quality standards and informative labeling. It has felt that a "code of fair competition," to be fair to consumers and producers alike, must have standards by which to measure quality as well as to measure price.

In these efforts, representatives of the Board have met with relatively little success. Of 237 approved codes only 73 make any provision for quality standards and in some instances, such as the case of the code for the gas appliance industry, there has been a failure to embody in codes standards previously developed by the trade groups presenting the codes. Also some codes have embodied standards clauses whose effect it is to facilitate arbitrary price fixing and to aid one class of producers to gain advantage over its rivals. This is true, for example, of the codes for the asbestos, excelsior and excelsior products, metal tank, slate fertilizer, envelope and rubber manufacturing industries.

The failure in the field of standards, as we see it, has been due in part to the unwillingness on the part of certain trade groups and industrial groups to attempt the establishment of quality identifying labels; in part to the absence of well worked out quality standards which could be safely embodied in codes being produced at a very rapid rate; in part to inability on the part of our representatives to present the case for standards effectively; and in part to a failure on the part of your Deputies to accord to the question of quality standards the importance to which it is entitled in the N.R.A. undertaking.

If, however, the N.R.A. is to fulfill the measure of usefulness in promoting fair competition of which it is capable, we feel that there must be far greater emphasis on code provisions calling for informative labeling. In addition we feel that there should be an attempt on the part of the Administration to promote the development of quality standards for inclusion in codes. The Board has accepted a report from its sub-committee on standards for which it requests your most careful consideration.

## CODE ADMINISTRATION

You have indicated on several occasions that you feel that the usefulness of the Consumers' Advisory Board lies primarily in watching the operation of codes with a view to seeing that these experimental agreements do not injure the consuming public. As the N.R.A. moves from the phase of code writing to the phase of code administration, the question of securing adequate protection for the consuming public becomes crucial.

To assure a good chance that there will be such protection of the consumers' interests, we feel that there are certain very definite requirements in the administrative set-up which have not yet been met. One is the provision of adequate financial resources for the consumers' advisers to the administrative members of Code Authorities. Such advisers, whose appointment is suggested in the "Information for Code Authorities," prepared by the N.R.A. Code Authority Organization Committee, are apparently to be given no positive power. The disadvantages of such an arrangement, however, seem to us of far less importance than that no provision has been made to see that they are well enough paid to secure the most competent service possible.

Though their duties are to be purely advisory under the present plan, and although their access to information bearing upon the operations of the Code Authorities is to be limited, we feel that if adequate funds are provided to secure capable and forthright people for these positions they will serve in a very important degree to safeguard and promote the consumers' interest. These advisers, if they do their job well, must be equipped to work continuously in studying the industries to which they are assigned and should have full access to the operations of the Code Authorities. In the case of the more important codes they should have the services of assistants. The provisions of funds for these consumers' advisers is vital to the attainment of a balanced administration of the National Industrial Recovery Act in the public interest.

It seems desirable in the interests of a well balanced administration to provide for a large degree of detachment from business interests in the personnel of Administration representatives on Code Authorities. If, as is at present provided, at least one administrative representative is "to have a background of experience in the industry or in an allied industry, but without present interest herein or embarrassing connection therewith", and if on most Code Authorities there is to be only one Administration representative, this representative, however carefully chosen, must, in the nature of the case, be one whose experience is like that of the business members of the Code Authority. In accordance with the provision for short term appointments not exceeding one year, there is a likelihood that he will have difficulty in taking full account of all of the interests involved in the N.R.A. Moreover, if any continuous application of administrative policy is to be developed toward a given industry it will be handicapped by the rapid turnover in the Administration representatives on Code Authorities. Such an administrative set-up has obvious advantages in providing technical business competence, but it emphasizes the need of well financed consumer advisory service to the Administration representatives on the Code Authorities.

#### SIGNIFICANCE OF CODE REVISION

Under your leadership the N.R.A. has already rendered enormous public service. However, there are some risks of a more general character than those previously discussed. It has served and is necessarily serving to promote further organization of business, industry by industry. It has given and is giving much impetus to the organization of labor. Inherent in this development is the chance that as each separately organized industry

seeks to promote its own interests, the broad interest of the community of business men and workers in a proper balance among industries will be obscured; and the further chance that the interests of consumers who are not eligible to enter a trade association or labor group will be sacrificed for lack of organized defense. In this connection we are necessarily mindful of such facts as those disclosed by the development of cartels in Germany where, notably in the case of the coal cartel, employers united in a monopoly with their workers to exploit the consuming public, which necessarily embraced a vast preponderance of people who could secure no gains from the success of the workers and employers in this industry.

The suggestions which we have embodied in this report, though often expressed in technical rather than broad social terms, are designed to aid the Administration in avoiding developments such as these. The acceptance of a particular cost formula, though seemingly a matter of concern primarily for accountants, may, as you know, change the entire structure of an industry, with tremendous economic and social consequences. Our suggestions, applying both to codes still in process of drafting and to the revision of codes previously approved, have been written with these larger social and economic implications in mind.

PROPOSAL TO DEVELOP STANDARDS FOR CONSUMER GOODS

Consumers' Advisory Board

N. R. A.

BY ESTABLISHING A CONSUMER STANDARDS BOARD AND FUNDS FOR BASIC TESTING

(Prepared by the Committee on Consumer Standards  
of the Consumers' Advisory Board of N.R.A.  
December 1, 1933)

SUMMARY AND RECOMMENDATIONS:

A. Reasons for Action:

1. Conditions of modern industry necessitates the use of quality standards for goods bought at retail. The recovery program accordingly calls for the development and use of standards for consumer goods: (a) to make effective the codes of fair competition; (b) to help increase and spread purchasing power; (c) to raise standards of living by reducing costs of manufacturing and retailing and eliminating wastes in buying; (d) to assist toward the stabilization of industry.
2. There is at present an almost total lack of adequate consumer standards, and consumers must buy under conditions no longer tolerated in government and industrial purchasing.
3. It is essential that the development of consumer standards be approached from the consumer point of view, including actual consumer buying and use conditions.
4. Most existing testing and standardizing agencies, both public and private, have, by the nature of their work the producer's approach; those with a consumer view lack funds or are engaged in scattered work.
5. The Federal government should assume responsibility for developing consumer standards because of (a) the need as part of the emergency program; (b) the magnitude of the task; (c) the absence of private consumer agencies with funds comparable to those which business can spend on producers standards; and (d) the appropriateness of government aid to consumers in view of its past and present extensive assistance to business.

B. Recommended Action:

1. Establishment of a Consumer Standards Board.

It is RECOMMENDED: That a Consumer Standards Board be set up jointly by the Consumers' Advisory Board of N.R.A. and Consumers' Counsel of A.A.A., responsible to them and financed through them, and authorized to take all necessary steps, including cooperation with agencies inside and outside the Federal government, for the development and promulgation of consumer standards; this board to consist of a director and technical staff, operating on a budget of \$85,000 for the first year, and an interdepartmental coordinating committee drawn from the appropriate federal bureaus.

2. Funds for Basic Research and Testing of Commodities.

It is RECOMMENDED: That no less than \$250,000 for the first year be made available for such research and testing as shall be requested by the Consumer Standards Board at the Bur. of Standards, Dept. of Agriculture, or in other specially equipped laboratories inside or outside the government service.



# PROPOSAL TO DEVELOP STANDARDS FOR CONSUMER GOODS.

## REASONS FOR ACTION

### I. The Need For Consumer Standards:

The administration of the Recovery Acts, long-time stabilization of industry in the interest of all the groups concerned, and the effective enhancing of the real income of American families all demand that technically sound, informative standards be developed for consumer goods.

Conditions of modern industry necessitate the use of standards to designate the quality of goods bought at retail. The consumer is far less able to be his own judge of quality today when goods are very numerous, highly-fabricated and sold under thousands of brand names and advertising slogans, than he was when goods were relatively few, simply-fabricated, and familiar to him through his direct experience in producing and handling them.

The organization of the N.R.A. includes the consumers as one of the three groups in whose interest codes are drawn. Both the Consumers' Advisory Board of N.R.A. and the Consumers' Council of A.A.A. have recognized that price unrelated to quality is unreliable, and that provision for the inclusion of standards is accordingly a necessary part of codes of fair competition. The elimination of unfair methods of competition must include competition in quality as well as in price. Both agencies have submitted proposed clauses requiring the development of quality standards and their inclusion in the codes. (See Appendix A)

Furthermore, the aim of the recovery program to increase and spread purchasing power calls for the maximizing of money income in terms of goods. In view of the low level of income to which the depression has reduced American families and the pressure of rising prices upon these incomes, it is imperative that the wastes inherent in unscientific consumer buying should, as far as possible, be eliminated. It is already established practice for governmental agencies, industrial concerns, and large buyers to purchase according to specifications in order that they may secure maximum use-value. A partial summary of estimated savings by this procedure is appended in Appendix B. The small purchaser should, as far as possible, be placed in a position to use his limited funds to equal advantage.

A further direct saving to the ultimate consumer should result both from a reduction in unit manufacturing cost where goods are made to specification, and from lowering the costs of retail distribution through numerous savings, including the lessening of the "returned goods evil". As regards this last, President Hoover, in his annual report as Secretary of Commerce in 1922, said "The lack of .... established grades and standards of quality adds very largely to the cost of distribution because of the necessity of buying and selling upon sample or otherwise, and because of the risk of fraud and misrepresentation, and consequently the larger margins of trading."

The stabilization of industry will be directly furthered by the regularizing effect of a widespread use of standards.

## II. Lack of Available Consumer Standards:

Adequate standards designed to inform the consumer as to what he is buying are not available for the great bulk of products purchased at retail. According to the National Industrial Conference Board's 1929 study of Industrial Standardization: "Formal, deliberate, selective standardization has been mostly applied, up to the present time, in the procurement, manufacture, and simplification of producers' goods..... If one were to compare the amount of standardization work in the field of producers' goods and services to the range of goods to be found in the catalog of a large mail-order house, it would seem that the work has hardly begun."

The Bureau of Standards stated in 1930 that, "In general, it may be said that the producers are experts in their own commodity field, but seldom is the consumer given the full benefit of this knowledge..... Under present conditions this group knowledge is suppressed and the tendency is all too frequent to give the buyer merely what he asks for." Commercial brands, designed to meet competitive merchandising conditions, do not serve adequately in lieu of adequate consumer standards, for not only do they tend to be present by the scores for each commodity in a given community (See Appendix C); but also the development of inferior-quality "fighting brands" of nationally advertised commodities to meet the price competition of "private brands further confuses the situation for the consumer.

While Commercial Standards usually entail some advantages to the consumer, they do not, as shown below, meet the needs of consumers satisfactorily.

## III. Importance of Having Consumer Standards Developed by An Agency with the Consumer Point of View:

Satisfactory consumer standards must be built upon analysis of commodities in their final forms in which they are purchased over-the-counter at retail; this analysis must be in terms of actual consumer use-conditions; and the standards must be presented in terms of specifications and grades determined in the light of such use-conditions and useable by non-technical purchasers at retail.

This need is not met either by current standards for the producers' and intermediate consumers' goods or by Commercial Standards, as set forth in Appendix D. The former do not cover commodities in the form in which they are sold over-the-counter at retail. The latter, "prepared or selected" according to Dr. Burgess, late director of the Bureau of Standards\*, "by the industry's own leaders", represent not primarily consumer needs but what industry and trade is able to agree to within the exigent conditions of current competitive practice. As such the latter are able to move only part-way in the direction of consumer needs, their specifications and grades are customarily drawn from the commercial point of view, and their nomenclatures are often misleading to the purchaser at retail. They are drafted primarily with an eye to the competitive conditions of producers and distributors.

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\*Press release "What the Bureau of Standards is Doing for Business."  
October 29, 1931.

Although such producer or commercial standards as have the net effect of improving the quality or reducing the cost of commodities indirectly redound to the consumer's advantage, the logic of the competitive producing and merchandising system within which business operates does not call for direct, informative service to the consumer. The competitive situation which industry and retailing face is such as to render it difficult, if not impossible, for the maker or seller of a commodity to exercise much initiative in elevating standards far beyond current competitive practices. Consumers cannot, therefore, reasonably look at present to industry, or to agencies whose approach has been traditionally, and by the nature of their work, that of the producer or distributor, for the development of standards which will encourage in any forthright fashion efficient and informed retail buying.

#### IV. Existing Agencies Working on Standardization: (See Appendix D).

A partial tabulation of expenditures for standardization in the United States, in 1926, based upon incomplete returns, is as follows:

Trade Associations	\$2,992,015.54
Technical Societies	830,500.56
State Governments	134,240.00
Federal Government	<u>4,250,500.00</u>
Total	8,207,256.10

Appendix D contains a critical appraisal of current standardization in terms of its application to ultimate consumer goods purchased at retail. As suggested there, if we except certain of the work of the Department of Agriculture, very little of the above sum eventuated in standards satisfactory to the needs of ultimate consumers buying over-the-counter: it was devoted either to the standardization of producers' and intermediate consumers' goods, or to consumers' goods standardized by industry and not sold in such form as to facilitate the comparison of grades by the buyer at retail, or to standards such as the Federal Specifications couched in technical terminology readily useable only by technical purchasers.

The "Standards Yearbook, 1933", compiled by the Bureau of Standards, lists 57 bureaus or independent establishments of the Federal Government as Federal Standardizing Agencies. These include the Bureau of Standards, Mines and Fisheries, under the Department of Commerce; of Agricultural Economics, Home Economics, Food and Drug Administration, Animal, Dairy, and Plant Industry, Chemistry and Soils, Agricultural Engineering, and Forest Service, under the Department of Agriculture; Army and Navy Departments; Government Printing Office; Federal Specifications Board; and other departmental and independent establishments.

Other types of agencies engaged in one aspect or another of standardization include the following:

Twenty-three technical societies are listed by the National Industrial Conference Board as engaged in Standardization work in 1926.

- (1) National Industrial Conference Board: "Industrial Standardization". 1929, Appendix K.

Sixty-nine trade associations are listed by the same source.

Other industrial and merchandising bodies include such producing units as the Bell Telephone Co., General Motors Corporation, Westinghouse Electric Co., Detroit Edison Co., International Harvester Co., Singer Manufacturing Co., to name but a few; and large retail units such as Sears Roebuck, Montgomery Ward, and R. H. Macy & Co.

A considerable volume of scattered work is done in university and college laboratories, some of it under Purnell funds.

A few consumer agencies, such as Consumers' Research, and the American Home Economics Association, sponsor a small amount of standardization work.

As noted above and in Appendix D, the overwhelming proportion of all of the above standardization agencies, both public and private, operate primarily to serve industry and lack the consumer point of view. University and college research tends to a considerable extent to be subsidized by industry. The insignificant number of consumer organizations lack funds. A central agency is needed to coordinate the work of these many public and private bodies, to orient it where possible directly to consumer needs, and to supplement it.

#### V. Need for Government Leadership in Developing Consumer Standards:

The present emergency administrations are in need of a substantial volume of immediate work in connection with their industry codes and agreements.

In view of the almost complete absence of adequate consumer standards, the task of developing them is so great and the need so pressing that this work cannot be left to commercial agencies and scattered laboratories. It requires the authority and prestige which Washington alone can give, if existing scattered work is to be coordinated and new work driven promptly ahead.

The fact that industry and commerce are organized, and have possessed extensive financial resources, has led to the preoccupation of technical personnel and laboratories with industry's problems, while the unorganized consumer has been very largely neglected. Outside of government there is no agency which can furnish adequate funds to meet the accumulated need for standards faced by 30,000,000 families.

Hitherto, the functions of the government in relation to its citizens in their capacity as consumers have been largely overlooked, while its services to industry have been steadily augmented. The spending of the national income is no less important to national welfare than the earning of that income through industry and commerce. In rendering this service to the American public as consumers, the federal government will be taking a first step toward redressing the balance of government service now weighted heavily on the side of production.



## RECOMMENDED ACTION

### VI. The Agency Best Suited to Develop A Program of Consumer Standards:

The Committee on Consumer Standards has canvassed all possible departments and bureaus under which a program of consumer standardization might be developed. In doing so it has weighed carefully the relative advantage of working through a centralized operating agency as over against that of relying as at present upon the initiative of scattered government bureaus supplemented by the work of other agencies. It has weighed the possibility of developing the needed work in an enlarged program under any one of the existing federal or private bodies. It has been guided by considerations of the magnitude of the needed work; the need for auspices that will encourage a free and forthright approach in consumer terms to problems already heavily charged with industrial emphasis; the need for coordination in planning, basic research, and in the promulgation of standards; the need for as immediate action as is consistent with sound procedure; and the existing commitments of the various branches of the government, both in terms of program and of budget.

The RECOMMENDATION of the Committee on Consumer Standards is that a Consumer Standards Board be established at once under the Consumers' Advisory Board of N.R.A. and Consumers' Counsel of A.A.A. This Board would do no laboratory research or in any way overlap adequate work under way in any arm of the government service; it would, however, provide for the first time in our governmental administration a central planning, coordinating, and standards promulgating agency in the field of consumer standards.

Joint action by the N.R.A. and A.A.A. consumer agencies on consumer standards would present no administrative difficulties. They are closely linked in membership and policy and their work is being linked steadily more closely together, as in the recently inaugurated joint program of consumer organization and education under Paul H. Douglas.

In establishing these consumer agencies, the federal government has for the first time clearly indicated its recognition of its responsibility to consumers as such. They are, as indicated in Appendix A, already working for the insertion of consumer standards in the emergency codes, and the further explicit development of consumer standards is not only a logical extension of their current work but a clear responsibility in the preparation of industry codes.

There is an obvious disadvantage in establishing a board whose functions call for permanency under bodies set up on an emergency basis. The committee of Consumer Standards frankly recognizes the possibility of drastic reorganization affecting the status of the Consumers' Advisory Board and Consumers' Counsel; but it nevertheless believes that



since the initial step has been taken toward recognizing that the consumer needs an agency in the federal government especially entrusted with his problems, there are sufficiently strong grounds for expectation that some agency charged with responsibility for consumer affairs will be continued somewhere in the government to warrant the present establishment of the Consumer Standards Board under U. R. A. and A. A. A. Whatever disposition administrative expediency may ultimately dictate, the work of the Consumer Standards Board will be of a self-validating nature such that there should be no difficulty in finding an acceptable place within the government for the Board.

The positive advantages of placing the Consumer Standards Board under U. R. A. and A. A. A. consumer auspices if reinforced by the disadvantages which appear when the possibility of placing it with any other bureau is considered. If placed under any existing bureau within one of the regular departments, it would be handicapped in its effort to coordinate the work now being done in many different branches of the government by inevitable inter-departmental rivalries and prerogatives. The regular bureaus, moreover, are operating on strictly limited budgets and are not in a position to act quickly, while funds may be made available under U. R. A. and A. A. A. for immediate work.

Of the specific bureaus which might be considered, the Bureau of Standards is the most obvious one to undertake this consumer standardization work, apart from its sharing the disadvantages common to all existing bureaus, the Bureau of Standards is not recommended for the task because of its location in the Department of Commerce and the fact that the past history of its Commercial Standards division, its planned future close cooperation with the industrially affiliated American Standards Association, and the presence of research workers supported by industry in its laboratories, all give it a traditionally industrial approach. Although a Consumer Standards Board must lean heavily upon the technical division of the Bureau of Standards for basic research and testing and upon its Commercial Standards Division for cooperative contacts with industry, it cannot leave to the Bureau the task of representing the consumer point of view and developing standards which fully meet consumer needs.

The disadvantages in placing a Consumer Standards Board under any of the bureaus in the Department of Agriculture include the fact that the latter are primarily concerned with agricultural products, while the great majority of commodity areas and those most in need of standardization are industrial products. Moreover, with the exception of the Bureau of Home Economics and the regulatory activities of the Food and Drug Administration, the concern of the Department has been primarily with the production and marketing rather than the use of agricultural products.

VII. Proposed Organization, Duties, and Administrative Budget of Consumer Standards Board:

A. This Board should be set up jointly by the Consumers' Advisory Board and Consumers' Counsel, responsible to them and financed through them.

It should be made up of:

- (1) A technical staff consisting of a Director and Commodity Specialists in charge of as many commodity fields as funds permit. The minimum number should be seven specialists in charge of the following fields:
  1. Clothing and other textiles.
  2. Furniture, kitchen utensils, chinaware.
  3. Toilet articles, cleansing and polishing materials.
  4. Fuel, plumbing and heating equipment, stoves, automobile equipment.
  5. Foods, beverages, drugs.
  6. Leather, rubber, paints and other surface finishes.
  7. Radio, electrical equipment and miscellaneous.
- (2) An interdepartmental coordinating committee, advisory to the technical staff, containing representatives of:-

The Bureau of Standards - division of Research and Testing  
The Bureau of Standards - division of Commercial Standards  
The Federal Specifications Board  
The Bureau of Agricultural Economics  
The Bureau of Home Economics  
The Food and Drug Administration  
The Bureau of Fisheries  
The Bureau of Chemistry and Soils, Food Research Division  
The Bureau of Mines  
The Consumers' Advisory Board  
The Consumers' Counsel

- C. The duties of the Board should be to coordinate and make available in form for consumer use the existing work of public and private standardizing agencies; to determine the areas of most needed new work; to designate, after consultation with consumers and industry, the qualities to be considered in testing a given commodity; to arrange with appropriate federal or other laboratories for needed tests; to draw up standards based on the preceding; and to promulgate standards. (See Appendix E for a more detailed statement of duties.)

D. Budget for the first year.

Director .....	\$7,500
3 Commodity Specialists @5,600.....	16,800
4 Commodity Specialists @4,800.....	19,200
5 Clerical @1,800.....	9,000
Travel of Staff and Consumer Consultants (1) .....	5,000
Supplies and Office Equipment.....	2,000
Printing and Miscellaneous.....	5,500
	<u>\$65,000</u>

- (1) Note: Since consumer representatives cannot travel to hearings or conferences on expense accounts as do industry representatives, it is necessary to make provision for their travel expenses here.

Special Funds For Research and Testing:

Since the creation of a Consumer Standards Board does not contemplate the setting up of additional laboratory facilities to duplicate the extensive technical equipment of existing governmental bureaus; and since, at the same time, the development of consumer standards will require a heavier volume of basic research and testing than can be carried by existing federal laboratory budgets, the Committee on Consumer Standards also RECOMMENDS:

- (1) That a sum of not less than \$250,000 be made available for such research and testing, at the Bureau of Standards, or other laboratories specially equipped to test industrial products, and, in the several bureaus of the Department of Agriculture and other correspondingly equipped laboratories outside the Federal service, as shall be requested by the Consumer Standards Board.

PROPOSAL TO DEVELOP STANDARDS FOR CONSUMER GOODS

LIST OF APPENDICES:

- A. Action by consumer agencies of N.R.A. and A.A.A. regarding quality standards. (p. 1).
- B. Money saving through buying by standards and specifications (p. 4).
- C. Number of commercial brands and their cost to the consumer (p. 5).
- D. Critical appraisal of work of existing standardizing agencies (p. 11).

Exhibit A: Application of research and testing work of the Bureau of Standards to specifications for over-the-counter commodities (p. 16).

Exhibit B: U. S. Bureau of Home Economics: Research projects under way (p. 21).

Exhibit C: Selected list of projects relating to standards in progress at land-grant institutions, 1933-34. (p. 23).

- E. Itemized procedure of Consumer Standards Board in developing consumer standards. (p. 26).

## APPENDIX A.

### Action By Consumer Agencies of N.R.A. and A.A.A. Regarding Quality Standards

#### 1. N. R. A.

The following recommendation as to the inclusion of provision for quality standards in industry codes was approved by the Consumers' Advisory Board at its meeting on Nov. 17, 1933;

"Since the depression has intensified a widespread earlier practice of quality dilution and thus given certain industrial and commercial firms an unfair competitive advantage over other producers and distributors as well as over consumers, it is important that a model code definitely encourage the setting up of quality standards. Without quality standards applying to commodities at every stage of their fabrication and sale, price is today, in view of the complexity of modern fabrication, a highly unreliable guide both for intermediate producers and for wholesalers and retailers, and particularly for consumers. We suggest, therefore, that all codes include the following provision among the duties of the code authority:

"The code authority shall be responsible for setting up a committee to develop for the industry a series of suitable standards for grades of commodities based upon as full and explicit specifications as possible, and to develop accurate labeling which shall be of a character to be readily usable by ultimate consumers purchasing at retail; provided that if the commodity is not sold to ultimate consumers purchasing at retail in the form sold by the industry, the labeling shall be such as to facilitate proper, unequivocal labeling for over-the-counter sale by those subsequently selling the product in any fabricated form to ultimate consumers purchasing at retail. This committee shall report its recommendations to the code authority within sixty days, unless an extension of time is specifically granted by the code authority; and as part of this report it shall include for the information of the code authority all standards and recommendations as to the desired content of standards available for the commodity in question, including those developed by governmental, industrial, technical, and non-commercial bodies. The recommendations of the committee shall, after review and amendment by the code authority in consultation with the Consumers' Advisory Board and the industry, become part of this code."

#### 2. A. A. A.

Provision included in model draft, October 24, 1933, for codes of fair competition:

"Unfair methods of competition. The following practices constitute unfair methods of competition:

"Misbranding: To sell or otherwise introduce into commerce any food that is misbranded. A food shall be deemed to be misbranded:



(a) Standards of fill: If its container is so made, formed, or filled as to mislead the purchaser, or (2) its contents fall below the standard of fill to be prescribed by regulations of the Secretary hereunder.

(b) Standards of identity: If it purports to be or is represented as a food for which a definition of identity has been prescribed by regulations of the Secretary hereunder and fails to conform to the definition.

(c) Standards of quality: If it purports to be or is represented as a food for which standards of quality have been prescribed by regulations of the Secretary hereunder, and (1) fails to state on the label, if so required by the regulations, its standard of quality in such terms as the regulations specify, or (2) falls below the standard stated on the label.

(d) Label requirements: (1) If in package form and it fails to bear a label containing the name and place of business of the manufacturer, packer, seller, or distributor.

(2) Commencing on \_\_\_\_\_, if its label fails to bear (1) the common or usual name of the food, if any there be, and (2) the common or usual name of each ingredient thereof in order of predominance by weight; except that spices, flavors, and artificial colors may be designated as such without naming each spice, flavor, or artificial color. The Secretary is hereby authorized to prescribe by regulations requirements for such further information on the label thereof as he may deem necessary to protect the public from deception.

(3) If any work, statement, or other information required on the label to avoid misbranding under any provision of this section, is not prominently placed thereon in such a manner as to be easily seen and in such terms as to be readily intelligible to the purchasers and users of such articles under customary conditions of purchase and use.

(e) Food and Drugs Act requirements: If it is misbranded within the meaning of the Federal Foods and Drugs Act, as now or hereafter amended."

Provisions calling for the use of standards and grades have been proposed for the following codes and marketing agreements:-

1. California Canned Cling Peach Agreement
2. Southern Rice Millers Agreement
3. Florida and Texas Citrus Agreements
4. Date Processors Code
5. Olive Cannery Agreement
6. Master Canning Code
7. Grapefruit Cannery Marketing Agreement
8. Egg and Poultry Industry Code
9. Coffee Industry Code

10. Master Grocery Manufacturers Code
11. Spice Grinders' Code
12. Master Fisheries Code
13. Lobster Fisheries Code

## APPENDIX B.

### Money Savings Through Buying By Standards and Specifications:

It is impossible to gauge accurately the precise amount of saving through buying by standards and specifications because other factors such as quantity purchasing are usually involved in the case of governmental, industrial, and other large purchasing agencies at present employing such technical procedures. The following estimates are, however, suggestive. There is no reason why similar effective standardization for ultimate consumers buying at retail may not be counted upon to effect directly and indirectly savings running into billions of dollars annually from the total retail bill of some \$53 billion (1929 level) (Cf. Appendix C, Part 2):

The federal government, it is estimated, saves \$100,000,000 a year by use of specifications in its purchases. (1) (Industrial Standardization. Nat'l. Indus Conf. Bd., 1929, p. 171.)

The Association of American Colleges, through the joint use of research standards and specifications and pool buying, was able to effect savings at the rate of a little over \$100 for each hour of service rendered. To cite but one minor item purchased by this group, "----we found that by changing the specifications on tennis nets, the life of the nets would be doubled, and the cost reduced from \$36 a dozen to \$16.50 a dozen." (2)

"The same advantage has accrued to those private business firms, both producer and consumer, which have made use of specifications. An example of these savings is afforded by the following case: 'A well-known manufacturer of parts supplied a score or more of automobile companies. Each one bought from 10,000 to 500,000 parts a year, but each wanted some minor variations in the pattern. The constant change in machine set-up necessitated by these varying demands kept the parts-manufacturer's plant in confusion. He was practically operating on a job-shop basis, although his total output was large enough to warrant quantity-production economies. Careful figuring showed him that he could cut his price in half, improve his delivery service and yet make more money himself, if he could induce all his customers to accept the same pattern. He laid the facts before them. They accepted the proposal. One of them saved \$4,000,000 a year, or \$20 a part on 200,000 parts.'

"The Detroit Edison Company saved \$1,800 on a single \$4,000 transaction by the use of purchase specifications. 'One large rubber company saves \$10,000 a year on the single item of the valves it uses, by purchasing on performance tests and specifications rather than under brand names ' The Bell Telephone System realized a saving of \$50,000 a year on the purchase of \$150,000 worth of black lead pencils, which they attributed to standardization. The same company "estimated that without the standardization of directory paper and the bulk purchasing which this enables, the same quality of paper would cost the Bell System about \$800,000 per year." (3)

- (1) National Industrial Conference Board: "Industrial Standardization." 1929---p. 171.
- (2) Id. p. 250
- (3) Id. pp. 171-2

# APPENDIX C.

## Number of Commercial Brands and Their Cost to the Consumer:

### Number of Commercial Brands:

#### a. In 1928 there were on the market:

10,000 brands of wheat flour;  
 4,500 " " " canned corn;  
 1,000 " " " peaches;  
 1,000 " " " salmon;  
 1,000 " " " packaged tea;  
 500 " " " mustard;  
 300 " " " canned pineapple.

-Geo. K. Burgess, National Bureau of Standards.

N. Y. Jour. of Commerce, June 16, 1928.

#### b. A survey of the Milwaukee market in 1930 showed the following number of brands of the indicated articles in use by a sample of 5,000 families (See "Recent Social Trends", p. 876):

Breakfast Foods	87	Package Coffee	101
Flour	46	Decaff. Coffee	12
Prepared Cake Flour	19	Ginger Ale	65
Baking Powder	57	Toilet Soap	65
Wheat Bread	36	Tooth Brushes	256
Rye Bread	34	Tooth Paste	76
Package Bacon	24	Mouth Wash	68
Package Cheese	36	Shaving Cream	73
Package Noodles	67	Soap Flakes	41
Package Spad Crackers	21	Cleansing Powders & Softeners	77
Package Macaroni	60	Scouring Cleansers	39
Package Butter	93	Steel Wool	36
Package Lard	20	Fly & Bug Killer	61
Canned Soup	21	Lacquer, Enam. & Varnish	98
Canned Milk	22	Elec. Washing Machines	110
Mayonnaise	38	Fountain Pens	164
Catsup	54	Automobile Tires	68
Canned Sauerkraut	36	Automobile Gasoline	35
Package Tea	70	Automobile Oil	51

## APPENDIX D.

### Critical Appraisal of Work of Existing Standardizing Agencies from the Point of View of Their Potential Usefulness for Developing A Program of Consumer Standardization.

#### I. Government Agencies:

##### A. Bureau of Standards:

The range of the basic research done at the Bureau, as described in the memorandum submitted by the Director on November 15, 1933, and attached to this Appendix as Exhibit A, reveals the outstanding significance of this agency for a program consumer standardization. The Bureau has been closely affiliated with the work of industry, having been called, in fact, "the agency of the Department of Commerce for research and testing for the industries." \*. The bulk of the Bureau's work has concerned the development of standardized methods of testing basic materials and the actual testing of basic materials. "In general, the Bureau's tests of finished materials or devices (the forms in which most families buy their commodities) have been made primarily for the benefit of the government itself." Such work, including both basic research and the actual drafting of Federal specifications, suggests that the Bureau already has an important mass of latent material which, while in most cases not in final form for inclusion in over-the-counter consumer standards, could be made to contribute materially to the development of such standards if technical personnel and funds were available,

Attention is called particularly to the third paragraph of the Director's statement:

"While it is true that much of the Bureau's work has been on what may be called industrial materials, as distinguished from 'over-the-counter' consumer goods, this is simply a reflection of the fact that until very recently no one has made much progress in the development of specifications for the latter class of goods. As soon as any one takes up seriously the problem of specifying the quality of such goods it will be found that research on methods of testing is at least as vital here as it was in the case of basic materials. A very considerable beginning has already been made in this field as is indicated in the more detailed discussion below, but an adequate attack on the general problem would require far greater resources than have hitherto been available. An essential condition for its success would also be the cooperation of organized groups or agencies prepared to formulate the collective views of intelligent consumers of the several classes of goods."

Obviously the Bureau of Standards should play a leading role in the basic testing of all commodities save food, drugs, cosmetics, fuels and other occasional commodities on which other Federal laboratories have been working.

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\*Research Associates at the Bureau of Standards". Circular No. 296, 1926.



In addition to its major program of basic research and testing, the Bureau of Standards has also developed in recent years a program of Commercial Standardization. These commercial standards are, as their name implies, frankly drafted for industrial use and represent only that stage which 65 per cent of the production in a given field is willing to accept. They should not in any sense be confused with consumer standards, as (a) they tend to represent standardization in terms of current commercial practice rather than in terms of consumer use-needs; (b) their nomenclature is frequently informative only to technical buyers and confusing to the family purchaser; (c) they have not in general been accepted in the past by experts in the field of consumer standards as satisfactory substitutes for genuine consumer standards. While they represent an actual advance over present industrial confusion and are a desirable step in the process of levelling up current industrial and commercial procedures, they should not be confused with standards based on consumer use-conditions and aimed primarily at helping the consumer to buy intelligently.

The procedure outlined in this report for the development of consumer standards contemplates cooperative work with the Commercial Standards section of the Bureau in the preliminary stages involving conference with manufacturers and distributors and in the analysis of current merchandising practices relating to a given commodity. The two procedures would diverge thereafter when the Commercial Standards work would concern itself with getting such agreement as 65 per cent of the industry will accept, while the Consumer Standards Board would proceed to draft what to the consumer would be a more adequate standard. In working for industrial acceptance of the latter, the cooperation of the Commercial Standards division would again be sought.

#### B. Bureau of Agricultural Economics:

The standards work of this bureau was dealt primarily with agricultural commodities in terms which will facilitate the wholesale marketing of these commodities. Only in the case of butter, canned goods, and retail meats have standards been drawn up for consumer use. The meat grades are more understandable to the merchant than to the consumer. Grains are graded, but the flour and bread made from them are not. With respect to fruits and vegetables, "these grades were not developed with the consumer especially in mind--Until grades especially adapted to her needs are developed, the housewife will have to depend on the advice offered her and her own good judgment!\*. For basic research, for reworking of producers' or commercial Standards in terms for consumer use, and, in specific cases, for the preparation of actual consumer standards, the Bureau of Agricultural Economics is in a position to cooperate with a Consumer Standards Board in the food field in much the same way that the Bureau of Standards could with respect to non-food products of industry.

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\*Hill, R. G. A. Fruit and Vegetable buying guide for consumers. U. S. Department of Agriculture. Misc. Pub. 167, Aug. 1933.

C. Bureau of Home Economics:

The standardization work of this bureau differs from that of other government agencies in that it has always been approached from the consumer standpoint. Its chief work has been on foods and textiles (see Exhibit B to this Appendix). Through its consumer contacts, even more than through its limited volume of standardization work, it is in a position to cooperate with the Consumer Standards Board in discovering and formulating consumer needs, and particularly in making formulated standards available to consumers.

D. Other Federal Agencies:

The Federal Specifications Board has promulgated several hundred master specifications for government purchasing. These do not in themselves constitute satisfactory consumer standards. Some of the existing specifications may be considered as covering adequately one of several needed consumer grades or one of several features regarded as essential to a standard satisfactory for consumer use. A Consumer Standards Board would, however, be able to draw heavily on the work of the Federal Specifications Board.

Other arms of the government services whose work touches the problem of consumer standards include the Food and Drug Administration, the Food Research Division of the Bureau of Chemistry, the Bureau of Dairy Industry, the Bureau of Plant Industry, the Bureau of Agricultural Engineering, the Bureau of Mines, the Bureau of Fisheries, the Bureau of Public Health, the Army and Navy Department in their purchasing divisions, the Forest Service, and the Government Printing Office. All of these could be drawn on for research or advice in their fields of competency.

II. Technical Societies:

A. American Standards Association:

This outstanding standardization agency does no technical research or testing, but draws up standards and secures their acceptance. Its thirty-seven member bodies consist of eighteen national industrial associations, ten industrial technical societies, eight departments of the Federal government, and one technical society representing consumers. Under the Plan of Cooperation provisionally agreed upon by the American Standards Association and the Bureau of Standards on November 13, 1933, the American Standards Association will work jointly with the Simplified Practice and Commercial Standards divisions of the Bureau of Standards in developing American Simplified Practice Recommendations and American Commercial Standards to be published by the American Standards Association with the following statement: "Approved by the American Standards Association and promulgated with the concurrence of the United States Bureau of Standards."

The American Standards Association also desires to become the American agency to develop consumer standards. While the Committee on Consumer Standards of the Consumers' Advisory Board recognizes the desirability

of utilizing to the fullest the cooperation of the American Standards Association in the securing of industrial and commercial acceptance of consumer standards, it considers the relinquishment of leadership in the development of promulgation of consumer standards to the American Standards Association as undesirable for the following reasons:

(1) The American Standards Association is overwhelmingly an industrial agency, concerned with producers' and intermediate consumers' goods, in terms of membership, focus, operation to date, and support. Its "chief function", according to its 1932-1933 Year Book is to "provide a means for various industries, technical organizations and governmental departments to work together in developing national industrial standards acceptable to all groups."

(2) As such, its work is characterized by the extreme slowness which securing a large measure of industrial agreement in advance necessarily entails, for a 90 per cent concurrence of its Council is necessary for approval as an "American Standard", and 75 per cent concurrence for an "American Tentative Standard" or "American Recommended Practice." It is common experience that competitive conditions do not allow industry to deviate far from current commercial practice in establishing standards; and that standards acceptable to 90 or even 75 per cent of industry at any given time are in the overwhelming majority of cases not standards drafted primarily in terms of private consumer needs.

(3) The difficulty of promulgating standards for over-the-counter consumer commodities under the American Standards Association is reflected in the fact that while several hundred commodities have been taken up for standardization by the Association and between one and two hundred approved, only four standards for commodities purchased by consumers at retail have to date been pushed to some kind of settlement: of these two were abandoned because of inability to secure industrial concurrence, while the other two represent, in the first case, gas equipment (for which there is a highly articulate technical pressure by safety agencies), and, in the other, ice refrigerators (a declining industry which was ready to accept standardization as an aid in its fight against mechanical refrigeration).

(4) The backwardness of standardization of consumer commodities, representing an almost total lack of work during recent decades when industrial standards have been developing, renders it extremely unwise to entrust the belated development of consumer standards to an agency which must drop a standard unless it can receive 75 per cent approval within its overwhelmingly industry-focussed Council.

#### B. Other Technical Societies:

The technical societies engaged in developing standards have included such large groups of industrial engineers as the American Society for Testing Materials, the Society of Automotive Engineers, The American Society of Mechanical Engineers, and the American Institute of Electrical Engineers. The membership of these societies is made up largely of men closely associated with industry and industrial processes in their professional capacities as technicians and consulting engineers. As in the case of the industrial and commercial establishments already described, the work of these societies covered industrial materials almost exclusively.

### III. Industrial and Commercial Agencies:

Since the World War, industrial and commercial agencies have made rapid strides in the direction of standardization through their own special laboratories. These include a lengthening list of industrial corporations such as the Bell Telephone Company and the Westinghouse Company, trade associations such as the American Petroleum Institute, National Electric Light Association, National Lumber Manufacturers' Association, National Electric Manufacturers' Association, and Cotton Textile Institute, certain large retailers such as Sears, Roebuck and Company, Montgomery, Ward and Company, and R. H. Macy and Company, and upwards of three hundred commercial laboratories.

This work is almost entirely devoted to the standardization of producers' and intermediate consumers' goods and to facilitating competitive commercial buying. Where it has involved ultimate consumer goods, the interests of industry have dictated the work and direct service to the consumer has been incidental, though in many instances substantial. As such, these commercial agencies all tend to have the same limitation from the standpoint of the consumer standards.

### IV. Colleges and Universities:

A substantial volume of scattered research fundamental to the development of standards is being carried on in the college and university laboratories of the country. Some of the most directly useful is that conducted in land grant colleges under Purnell funds. A partial list of relevant current projects in land-grant colleges is appended as Exhibit D of this Appendix. The isolated workers in university laboratories are badly in need of the type of support and stimulation which a central consumer standardization agency in Washington could provide.

### V. Consumer Agencies:

Among organized groups representing consumer interests in the effort to promote consumer standards the most active have been the American Home Economics Association and Consumers' Research. Owing to its very meager funds, the work of the American Home Economics Association has been confined to promotion, consultation, and the encouragement of research through a limited number of fellowships. Consumers' Research, a non-profit membership service which ranks existing competing commodities for its member consumers, likewise operates on a minimum budget both as to research and promotion.



## APPENDIX D -- EXHIBIT A

### Application of Research and Testing Work of the Bureau of Standards to Specifications for Over-the-counter Commodities.

A very large part of the research work of the Bureau of Standards has been devoted to (1) the development of reliable methods for determining the properties of materials and the performance of devices and (2) the determination of properties of basic materials which affect their usefulness. In general, the Bureau's tests of finished materials or devices have been made primarily for the benefit of the Government itself. Such tests have been made, first, to obtain a basis for specifications under which the Government might purchase supplies for its own use, and second, to determine whether goods supplied fulfilled the specifications established.

The effect of this work has, however, extended far beyond the Government's purchases. In some cases the Government specifications have been accepted bodily for general commercial use; in many more they have materially affected commercial practice. In fact, it is impossible to draw a line of separation between work done for the Government and that for the public because the result of all the Bureau's research and testing have been used directly in the development of specifications by technical societies and commercial organizations. Members of the Bureau staff have taken part in the work of several hundred technical committees; the great majority of specifications developed in this country in the last two decades covering testing methods or manufactured goods have been influenced more or less directly by the work of the Bureau.

While it is true that much of the Bureau's work has been on what may be called industrial materials, as distinguished from "over-the-counter" consumer goods, this is simply a reflection of the fact that until then recently no one has made much progress in the development of specifications for the latter class of goods. As soon as any one takes up seriously the problem of specifying the quality of such goods it will be found that research on methods of testing is at least as vital here as it was in the case of basic materials. A very considerable beginning has already been made in this field as is indicated in the more detailed discussion below, but an adequate attack on the general problem would require far greater resources than have hitherto been available. An essential condition for its success would also be the cooperation of organized groups or agencies prepared to formulate the collective views of intelligent consumers of the several classes of goods.

#### Discussion of Classes of Commodities:

Professor Lynd's letter of November 4 requests information regarding work done by the Bureau on ten different classes of commodities, with special reference to the following stages of development:

- (a) Testing and standardizing of constituent materials only.



- (b) Testing and standardizing confined to special types of a given commodity and not including the types most commonly sold over the counter for private use.
- (c) Testing and standardizing of commodities in the form commonly used by the ultimate private consumer.

I. Clothing, including textiles in their final use-forms, and leather goods.

- (a) Standards of quality for the raw materials used in making these goods are fairly well developed, although further research on the construction of fabrics is highly desirable.
- (b) Special types and materials, such as army uniforms and hats, balloon and airplane fabrics have been specially studied, and some of the knowledge and experience thus gained would be applicable in development of specifications for goods commonly used.
- (c) In general, this class of goods is the one in which the Bureau has gone farthest toward meeting the needs of the ordinary consumer.

Tests for launderability of fabrics are standardized. Specifications for shrinkage are gaining wide acceptance. Fastness of dyes has been studied and test methods for it developed. Machines and methods for testing the durability of sole leather and of carpets have been devised and checked against service tests. An instrument has recently been developed to measure the liability of fabrics to wrinkle. Very promising results are being obtained in tests to show the durability of hosiery.

Progress has been made toward uniformity in methods of measuring and stating sizes of garments of various kinds. Extension of this work and inclusion of limits on shrinkage would remove a serious cause of dissatisfaction.

On leather goods the effects of various treatments in tanning have been studied as affecting durability of the finished products.

Furs have received little attention, except in connection with the treatment of the fur-seal catch.

II. Household Furniture and Equipment.

(a) A large share of the items listed in Professor Lynd's memorandum fall in the class for which constituent materials have been rather fully studied, while specifications for finished products have received little attention from the Bureau or any other agency. For instance, this is true of electrical equipment (except with regard to safety from fire or personal hazard, which has been rather fully covered.).

(b) Some types of electrical equipment (large vacuum cleaners, refrigerators and wiring devices have been tested in connection with Government use. Tests for heavy chinaware as used in hotels and institutions have been developed. Some studies of silverware have been carried out on processes

and materials used in enameling metal ware with a view to improvement of the product.

(c) Specifications for soaps and cleansing materials, for paints and varnishes, for gas stoves and ranges have been developed (the last item has more recently been taken over by the American Gas Association). For soaps and paints the specifications are largely requirements as to chemical composition; for paints in particular further development of performance tests is desirable.

Electric lamps and batteries are covered by very complete performance specifications, originally developed in connection with Government purchases but now used by all specification purchasers.

Other items on which research or testing already done by the Bureau might readily be used for development of commodity specifications for general use are plated ware, enameled ware, fire extinguishers and electric fans. The Bureau also has special experience which would be applicable to studies of refrigerators of all types, vacuum cleaners, and washing machines.

While not falling precisely under this heading, building materials are often important for the householder. Work done on insulators for heat and for sound, on plaster, stucco, brick and glass could be put into specifications of interest to a considerable group of consumers.

### III. Cosmetics and Toilet Articles.

Under this group the Bureau would have little to contribute, although its work on rubber and rubber goods would be applicable to some items, such as hot water bottles. Wear tests analogous to those devised for some other articles would be useful also for brushes of the kinds here listed.

### IV. Radio, Phonographs and Pianos.

(a) Constituent parts and materials for radio sets have been tested at the Bureau in earlier years, but recent demands for basic measurements in that field of work have so far outstripped the means available that all except the most fundamental work has been stopped.

(b) Extensive tests of radio receiving sets have been made for another Government department (which paid for the work). Members of the staff have also taken part in the development of standard testing methods for sets carried on by technical societies.

(c) The Bureau's experience and facilities in the Radio and the Sound Sections would be directly applicable to work on quality of instruments if a larger staff were available, but as indicated here, none but the most fundamental work is being done in either section.

V. Automobiles, bicycles and Velocipedes.

- (a) Extensive research is being carried out on problems involved in operation of automobiles; for example, ignition, carburetion, vaporization of fuel, wind resistance, acceleration and braking, and these affect design of cars for the future.
- (b) Special tests of vehicles and accessories are made as required for federal or state governments.
- (c) Methods of test and/or specifications have been developed for tires, brake linings, storage batteries, gasoline and lubricating oils.

VI. Watches and Clocks.

- (a) Tests of time pieces are regularly made, and the Bureau cooperates with the Horological Institute in training men for fine repair work.

VII. Fountain Pens.

No work done.

VIII. Typewriters and Accessories, Paper, Ink.

- (a) In past years the Bureau has carried out many studies on the suitability of various materials for paper making but this work is now inactive.
- (b) Much work is being done on the permanence of different papers for records, on lithographic papers, and paper for money and stamps.
- (c) The great majority of standard methods used for testing papers are based on research carried out at the Bureau. Properties such as elasticity, thickness, strength, dimensions, and moisture absorption can be measured by recognized methods, but specification requirements are not generally established.

On inks the Bureau has much information but there has been no demand for specifications for general use.

No special work has been done on typewriters.

IX. Trunks, Suitcases, Bags and Brief Cases.

Nothing done.

X. Sporting Equipment.

An investigation of the resilience and driving qualities of golf balls was made some years ago.

## Choice of Commodities for Standardization.

Professor Lynd's question two asks on what commodities research and standardization would be most readily carried forward at the Bureau. The preceding notes indicate some favorable prospects, but in general it is believed that the determining factor should be the active interest and support of consumer groups. A cooperative attitude on the part of producers and distributors is also much to be desired, but if the work were undertaken under the auspices of the N.R.A. probably this could be attained for many commodities.

The general field of textiles and clothing appears most promising of quick results on account of the foundation of technical work already done and the lively interest of the women's organizations.

If mechanical devices refrigerators, vacuum cleaners and washing machines are perhaps most important, and on any of these useful work could be done rather promptly.

The essential features of radio receivers could also be covered rather easily, but the establishment of specifications would involve some weighting of esthetic considerations in balancing fidelity or reproduction against selectivity and sensitivity.

Specifications for gasoline of different grades and for some lubricating oils might be undertaken to supplement present specifications, or in these as in a considerable number of other lines the existing federal government specifications might be taken as a basis for discussion with consumers to determine whether the federal specifications will be satisfactory for general use.

Bureau of Standards,  
Washington, D. C.  
November 15, 1933.

United States Bureau of Home Economics: Research Projects  
under Way in November 1933 Related Directly or Indirectly to the De-  
velopment of Standard Specifications for Consumers' Goods.

Nutrition Studies Section:

Vitamin A content of eggs in relation to the vitamin A and vitamin D content of the diet of the hen.

Vitamin A content of a potato obtained by crossing the white potato with a yellow-fleshed variety containing vitamin A.

Vitamin A content of pimiento pepper.

Vitamin B and G content of inner and outer leaves of Iceberg lettuce.

Vitamin D content of ergot and other related fungi.

Vitamin content of the edible portion of foods before and after cooking.

Effect of large amounts of vitamin D in the diet of the hen on the calcium and phosphorus content of the eggs.

Preliminary study of sesame seed as a source of calcium.

Eggs as a source of minerals necessary for good nutrition.

Study of the effects of small amounts of inorganic and organic selenium in the diet of the rat.

Preparation of a summary of all data obtainable on the vitamin content of foods.

Food Composition Section:

Food composition project covers all classes of foods and all constituents that are considered important from the standpoint of food selection. The information obtained from this study is valuable to consumers because it makes available to them authentic information on the nutritive value of foods. It is important to have an agency that can supply this information to consumers because there are so many unwarranted claims made in advertising particular foods and so much misinformation distributed by various lecturers on diets and cults of pseudo scientists.

No other agency is doing this particular type of work in assembling all of the authentic data on food composition. Classes of foods now being studied in particular are fresh and cooked meats, and dried fruits and vegetables.



#### Food Utilization Section:

Study of different types of lards and competing cooking fats with respect to keeping cooking qualities and with respect to influence on palatability.

Influence of production factors on the quality of eggs for use in food preparation.

Influence of production factors on quality of meat.

Influence of production factors on the quality of potatoes.

#### Textiles and Clothing Division:

##### Cotton Utilization:

A study of the relative value of different varieties, grades, and staple lengths of cotton from the standpoint of their use to consumers in different types of fabrics. (In cooperation with the Bureau of Agricultural Economics.)

The measurement of the various qualities of fabrics which depend upon finishing materials.

##### Woolen Utilization:

A study of the relative usefulness of different kinds and grades of wool, mohair, and other animal fibers which are and can be produced in this country. The relative merits of these fibers when used in fabrics alone and in combination are being investigated in order to determine the fiber best adapted for different consumer uses.

To develop methods of measuring those qualities of Karakul fleeces which are of importance to the user and to evaluate fleeces produced under the supervision of the Bureau of Animal Industry as part of an investigation of the influence of environment, breeding, sex, age, feed, and other animal husbandry practices on the fleeces of Karakul lambs. (This is a cooperative project with the Bureaus of Animal Industry and Biological Survey).

##### Linen Utilization:

A study of the time of useful service given by staple weaves of linen damask and the types of wear which develop in such fabrics during their wear-life.

#### Economics Division:

Provision for collecting data on sources of purchasing information and the use of quality grades and standards in purchasing is included in the plan for a national dietary study being submitted to the Civil Works Administration.

APPENDIX D --- EXHIBIT C

Selected List of Projects Relating to Standards in Progress at  
Land Grant Institutions, 1933-34, and Reports of Research Published 1932-33.

<u>Projects</u>	<u>Place</u>
1. Effect of lead weighting on the durability of silk, including aging in indoor light and in darkness, with and without perspiration.	Pennsylvania
2. Nature of breakdown products in weighted silks as to result of various aging treatments	Pennsylvania
3. The dyeing properties of rayons.	Pennsylvania
4. The vitamin B content of bread as affected by baking conditions.	California
5. The vitamin A content of fresh, canned, and dried pimienta pepper.	Georgia
6. A study of wheat flours milled in Illinois in relation to their use in baking.	Illinois
7. A study of ovens used for domestic cooking purposes.	Indiana
8. The vitamin, A, B, C, and G content of canned tomatoes.	Iowa
9. The deterioration of weighted silk under the conditions acidity, alkalinity, and salinity to which fabrics are subjected in service of maintenance.	Iowa
10. The relationships of the physical and chemical characteristics and constants of lard to its culinary value.	Iowa
11. Efficiency of vacuum cleaners.	Iowa
12. Factors affecting the efficiency, use, and cost of operation of an electric range.	Iowa
13. A study of electric and other types of stoves commonly used in farm household cooking processes.	Kansas
14. A study of factors affecting the service qualities of certain textile fabrics.	Kansas
15. The effect of heat, light, and perspiration on the service qualities of weighted and unweighted silk fabrics.	Kansas
16. The service qualities of fabrics with regard to adequate labeling.	Kansas

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|---|--------------|
| 17. The relation of size, shape, materials and other qualities of utensils to their efficiency in electrical cooking. | Maine        |
| 18. Cake and biscuit making qualities of several varieties of Maryland wheats.  | Maryland     |
| 19. Factors affecting the selection, care and wearing qualities of textile materials.                                 | Minnesota    |
| 20. Studies of consumer choices in the purchase of textile products.  | Minnesota    |
| 21. Influence of methods of handling foods on their vitamin content.  | Missouri     |
| 22. Durability of cotton fabrics.   | Missouri     |
| 23. Selection, care, and wearing quality of women's hosiery.  | Montana      |
| 24. A study of electric cooking stoves.   | Nebraska     |
| 25. Factors affecting the quality and palatability of meat.   | Nebraska     |
| 26. A study of the use of standard grades and other specifications as to quality and quantity in household buying.    | New York     |
| 27. Factors which influence the quality of meat.  | North Dakota |
| 28. The influence of various grades of wool on some of the physical properties of flannel.                            | South Dakota |
| 29. The influence of Texas sunlight on the durability and color of cotton fabrics.                                    | Texas        |
| 30. Home laundering investigations. Tests to evaluate factors of washing. Effect of laundering on fabric of clothes.  | Virginia     |
| 31. An investigation of the reliability of oven regulators.   | Virginia     |

Reports

Place

- |  |           |
|--|-----------|
| 1. Thickness of an aluminum utensil as a factor in its thermal efficiency when used in surface cookery on an electric range. | Iowa      |
| 2. A study of the relative economy of cured hams of different sizes.   | Minnesota |
| 3. The effect of storage and canning upon the vitamin content of carrots.  | Montana   |

4. Factors affecting the performance of kerosene cook stoves. Nebraska
5. Influence of cooking and canning on the vitamin B content of beef and pork. North Dakota
6. The effect of sunlight and other factors on the strength and color of cotton fabrics. Texas
7. Household equipment research and the development of standard specifications for consumers' goods. Virginia
8. Effect of storage upon the bread-making qualities of Wyoming hard wheat flours. Wyoming

## APPENDIX E

### Itemized Procedure of Consumers Standards Boards in Developing Consumer Standards:

In developing standards for consumer goods, the Consumers Standards Board would:

1. Canvass the field of consumer standardization -
  - (a) To discover what existing standards are at present available in form for consumer use, may be made available by a minimum of work.
  - (b) To determine the relative need for and practicability of work in various commodity fields.
  - (c) To draw together from the Bureau of Standards, other public bureaus, private commercial and professional laboratories and colleges and universities, basic text material already available for the formulation of consumer standards.
2. Define, after conference with consumers and industry, the qualities, in terms of use, upon which consumer standards are to be based. These standards should both provide minimum specifications for given products and, where the nature of the product makes grading possible, establish grades for such products.
3. Secure necessary basic testing in terms of the qualities so defined for a given commodity, using such testing laboratories as are available in and outside of the federal government. The Consumer Standards Board should not contemplate setting up its own laboratory to make technical tests. Wherever possible, government expense should be avoided by drawing upon the work of reliable university and college laboratories.
4. Analyze proposed standards in terms of cost to the consumer in order to secure for each set of standard grades the optimum relation between cost and quality.
5. Draw up standards with appropriate nomenclature.
6. Promulgate as national consumer standards, both suitable standards developed by other agencies and those formulated in the matter prescribed above.
7. Cooperate with the division of Commercial Standards of the Bureau of Standards, the American Standards Association, and other suitable bodies in securing acceptance of Standards by industry, and with the Bureau of Home Economics, the Department of Labor, the American Home Economics Association and other suitable bodies in securing consumer acceptance.



Testimony on Standards for Consumer Goods at Canning Industry  
Hearing February 8 and 9, 1934, before Deputy Administra-  
tor Walter White.

The Canning Industry Code, as proposed, did not make provision for quality identifying labels on canned goods. The Consumers Advisory Board of N.R.A., through its staff representative Karl Hauck, suggested the adoption of the grades already established by the Department of Agriculture, and - with respect to other goods:- proposed this clause:

"The Code Authority shall, within one month after the effective date of the code, appoint a committee from the industry to work in collaboration with the Department of Agriculture to study and promulgate standards for labeling, weight and quality grading, for the products of the industry. The findings and recommendations of this Committee shall, within six months, be submitted to the Administrator, and after such hearings as he may designate, and upon approval by him, shall be made a part of this code and be binding upon every member."

Twenty-one persons spoke in favor of this proposal, representing the views of the American Federation of Labor; Consumers Advisory Board of N.R.A.; Tri-State Packers Association; Bureau of Home Economics; Bureau of Agricultural Economics; Food & Drug Administration; Consumers' Counsel of the Agricultural Adjustment Administration; General Federation of Women's Clubs; National League of Women Voters; Consumers' Research; Consumers Council, Washington, D. C.; Columbia Conserve Company; American Home Economics Association; National Council of Women; Columbia Home Economics Association; American Association of University Women:

Two speakers, Mrs. Fritchey and Mr. Gerber, (see statements) were opposed.

Evidence was presented at the hearing to the effect that:

- 1 - Cannerys at present pack fruit and vegetables according to accepted quality grades. They sell to dealers and they borrow from the banks on the basis of grades.
- 2 - At present the absence of identifying labels hides the true quality of goods sealed in cans from buyers, resulting in competition between grades at prices not always bearing a relationship to quality.
- 3 - The Dominion of Canada requires identifying labels by grades. American shippers into Canada must comply.
- 4 - Some producers and distributors in this country already use grade labels. The Federal Government purchases supplies on standard specifications.

THE FOLLOWING EXCERPTS ARE FROM THE TRANSCRIPT OF THE HEARING:

KARL HAUCK  
Representing Consumers Advisory Board

I wish to devote a few minutes to the subject that is of greatest interest to the consumer at the present time. I think that the NRA has really done more to crystallize this interest than any other factor. Consumers realize that prices are increasing due to the various industries operating under codes and therefore they want to know what they are going to receive for their money, and I think they are entitled to know just what they are buying for that money. Therefore, in order to protect the consumers and enable them to utilize wisely their purchasing power, we request that the canning industry make it possible for the ultimate consumer to know what she is receiving and what she is paying for, by adding quality gradings on the cans or labels.

The consumer is totally without guidance in her choice of canned goods. She is dependent upon her experience with the product after she has opened the can; or upon what the retailer tells her - and that retailer is usually equally uninformed.

As a result, the consumer is more and more leaning toward the purchase of fresh fruits and vegetables, where she can see what she is buying -- for then she is not buying a pig in a poke. In this connection, government statistics point to the fact that while the consumption of raw vegetables is increasing, the opposite is happening in the case of canned foods. By accurate labeling you could do more to increase the sale of your products than by any other step, for you can create consumer demand when you tell just what you are giving her for her money.

There is concrete evidence that it is possible to develop practical grades of canned goods for consumer information. Grades now exist which are being used by the industry in commercial transactions. When large packers contract to buy the products of your industry, most frequently they will specify the quality they desire and they will have an inspector at the canning factory taking samples of the finished product to insure their getting the quality specified. Therefore some type of standards already exist and canners are able to live up to specifications and definitely grade their products.

The grades for a number of canned goods have already been promulgated by the Secretary of Agriculture. These are used in connection with the Warehousing Act. They are apparently satisfactory for the government to use in its own purchases of canned goods. In so far as objective standards have already been established, these should be passed on to the ultimate consumers by marking the grade quality on the label, or by other unmistakable methods.

Where definite grading standards do not exist, they should be worked out by a committee of the industry and the Department of Agriculture. Such a step will meet with the hearty approval of the consumer, and the consumer will know that your industry does want to be fair and give him a new deal.

The feasibility of this method of informing the buying public is illustrated in the experience of the Dominion of Canada.

I refer to the Meat and Canned Foods Act, which requires that the standard of quality must be declared on the labels of all canned or evaporated fruits, vegetables, etc. Moreover (please pay particular attention to this) canned products which enter Canada must bear accurate labels as to quality.

There are canners in the United States who also operate canning factories in Canada. They are not labeling the grades on the products canned in their American plants, but they are doing so in their Canadian plants and if it can be done in one plant, it can be done in all plants.

This Board therefore recommends the following clause be incorporated in your code under Article VII, Administration:

"The Code Authority shall, within one month after the effective date of the code, appoint a committee from the industry to work in collaboration with the Department of Agriculture to study and promulgate standards for labeling, weight and quality grading, for the products of the industry. The findings and recommendations of this Committee shall, within six months, be submitted to the Administrator, and after such hearings as he may designate, and upon approval by him, shall be made a part of this code and be binding upon every member."

WILLIAM GREEN  
President American Federation of Labor

I urge that the industry include in its code, rules for the grading and marking of its products, for the protection of the Code Authority, in cooperation with various governmental agencies and departments, to work out standards and satisfactory methods of grading and marking canned goods.

The canning industry, in the adoption of its code of fair competition, has an opportunity to eliminate the long-time evils of the industry, and establish itself upon a firm, sound basis. I assure it that it will have every cooperation which labor can give in its attempt to do so.

F. M. SHOOK  
Secretary, Tri-State Packers Association

Mr. Shook: (offering substitute for Article VI, Section 10:) "All sales shall be consummated in the terms of the official grades of the Department of Agriculture....The canning industry affirms the principle that the consumer is entitled to truthful information on the label, and the label shall be required to state the grade of the product.

The consumer does not have a proper opportunity of selecting the type of canned food she wishes to buy....There is no correlation between the consumer price and the quality she gets. I think I can speak for the whole canning industry that that is not a good thing.

The Packers Association, with all the members of the Board of Directors agreeing, think the solution is that standard foods be properly identified by a grade stamp on the label. We like A, B, and C: A, fancy, B extra fancy, and C standard, for the reason that the words "fancy" "choice" "extra standard" have been used in so many products that they might mean one thing in one product and another in another. For instance, "choice" in canned fruits is second grade, in meat it is the lowest grade.

I am going to close with this illustration of the futility of attempting to select canned goods as they are now labeled. At our convention this December we put on a guessing contest, in which I asked the experts in the canning industry to take the ordinary labeled well known brands of canned food, to look at twelve cans on which there was no grade designation whatever, and to hazard a guess as to the quality that was in those cans labeled in the ordinary way. Four out of twenty five could not guess better than 26 percent of what the quality in those cans was. I submit that it is not fair to consumers to have them guessing when they are not experts on canned foods.

MISS CHARLOTTE CHATFIELD  
Bureau of Home Economics.

Miss Chatfield: Mr. Deputy Administrator and Associates, in the interest of the consumer and the Bureau of Home Economics, we would like to propose the inclusion in the Code of a provision to develop uniform standards for quality grades and require that canned goods for which the United States Department of Agriculture has promulgated standards of quality should be labeled in accordance with the rules.

That this is practical has been demonstrated by progressive canners.

We would favor, therefore, amendments to Article VI as proposed by the Consumers' Advisory Board of the NRA.

DR. WELLS A. GHERMAN,  
Bureau of Agricultural Economics,  
United States Department of Agriculture.

Now, it was expected I would say just a few words about the practicability of this thing. A thing which has not been done is apt to appear different to the man who has habitually declined to consider doing it. I remember well when a fertilizer manufacturer told us they could not put the analysis of their goods on the bags and be held responsible, but they are all doing it; and the innumerable kinds of mixed foods which are prepared for livestock, calf foods, laying mashers for the fowls, they are now sold with guarantees as to just what they contain.

It does seem just a little strange that we can do this for our soil and we can do it for our animals and we can do it with reference to the seeds which we plant, but we hesitate to undertake it when we come to dealing with the canned goods which must be purchased, sight unseen for human consumption.

Are we treating ourselves quite as well as we treat our animals and the other interests which affect our pocket books?

It has been said that the qualities which enter into canned goods, and which should be considered in determined grades are elusive; that men and women may differ in the measure or appraisal of them. And that is true. But agreement upon essentials can be had within a very small percentage of unanimity. An error, if honest and not of such magnitude as would indicate criminal carelessness, does not usually result in bringing the manufacturers or anyone else to the courts.

When we speak of the technical danger, theoretical dangers of being prosecuted and made to suffer irreparable loss and injury in purse and reputation, because of an error, we are dealing with a situation which simply does not arise.

We have had just enough experience in the Bureau of Agricultural Economics in working with the grades for cotton, for livestock, for grain, for fruits and vegetables, for dairy products and poultry products, to know that grading of food and farm products is not an occult science. It is the application of simple knowledge and simple tests to a product with which the growers inevitably and promptly becomes familiar, and it can be done accurately within a reasonable time by any man or woman of average intelligence, and perhaps just a little initial diligence and faithfulness and observation of detail, faculties which can be cultivated.



So, our suggestion to those who consider the propriety of the language suggested by this code, is that the thing for which the Consumers' Advisory Board has asked appears to us to be wholly reasonable, wholly practicable and workable, and something which can be accomplished within the minimum of time, with practically no additional expense to the industry.

DR. WARD B. WHITE  
Food and Drug Administrator

Dr. White: Mr. Administrator, the Food and Drug Administration is heartily in favor of any proposal to put the grades on the labels where the consumer can see them. Grades will vary to a certain extent, as has been pointed out. It is perfectly natural that the man will vote for a rather high opinion of his own product and will perhaps tend to grade it higher than a man who is buying the product, and that is the reason for our belief that there should be some objectivity in these consumer grades, which are to go on the labels.

C. T. SCHMIDT, CONSUMERS' COUNSEL,  
Agricultural Adjustment Administration

Standards and grades would speed up technical progress, because, with quality established by definite recognized grades, competing companies must compete more largely for business on price, which would force them to find ways of cutting production costs.

When the consumer in 1928 wanted a can of corn, he had to choose from among 4500 brands. And all of them labeled with equally glowing and meaningless description of their quality. No consumer could ever hope to learn the values on his own grocer's shelves. Plain statements of the commercial grade on the cans would clear up this confusion for the consumer.

The most striking proof of how standards and grades rate in dependability is the fact that money sufficient to finance a farming company through its season is being lent on them. The larger lending companies, realizing the risk of taking a chance on any assumed market value of such varying and perishable crops, are stipulating first, before lending, that the certificates of grades issued by the Bureau of Agricultural Economics must be attached to warehouse receipts. If these grades are so reliable as to be used as a basis for lending money, they should give the consumer effective help in getting his money's worth.

Advertising must be more informative, give facts about materials and performance, must educate consumers to understand and use new technical information.

Manufacturers and distributors oppose standards and grades because they profit from the consumer's ignorance. But sooner or later consumers will insist on knowing what they are getting for their money, and it is inevitable that more and more commodities must have established standards and more and more goods must indicate their grades on their labels.

JULIA K. JAFFRAY,  
Chairman, Public Welfare Department  
General Federation of Women's Clubs.

Mrs. Grace Morrison Poole, President of the General Federation of Women's Clubs, has asked me to appear at this Hearing, on behalf of the Federation which includes over 2,000,000 women, organized in every state and in some 3000 counties.

The members of the Federation are mainly homemakers, purchasing the supplies for their homes. They know that the purchasing agents for the States and Cities have certain standards to guide them in making their purchases, but that the purchasing agents for the homes have had little or no help of this kind. It is difficult for homemakers to know when they are getting fair value for their money, because they are often thousands of miles from their food producers, do not know them, and never see the many hands through which foods pass to reach the grocers' shelves. They have no chance to sample packaged and canned foods until they are at home and opened.

Every merchant and business man knows that the first rule of business is to meet the demands of customers. The General Federation is creating the demand for graded foods and for the labelling of such foods, so that the homemaker may know exactly what she is buying, without having to open a can and find out. Especially does the homemaker need to know the content of the cheaper grades, so that she may determine whether these cheaper grades are suitable for the purpose for which she needs to use them.

The economies which the depression has made necessary are causing homemakers to resort to the careful purchasing methods of their mothers and grandmothers. Therefore, the demand for standard foods will increase more rapidly than would have been the case prior to 1929. The wise merchant will meet this demand and the manufacturers will find it the part of sound business for their products to conform to nationally recognized standard grades.

The grading and labelling of canned food products should bring the following results:

1. It would build up consumer confidence in canned foods and increase good will to an extent that neither advertising nor price cuts could do.
2. It would make competition within grades possible, supplanting competition between grades, and thus help to stabilize prices.
3. It would enable consumers to obtain what they want when they want it, and thus tend to stabilize the consumption of canned foods.
4. The fact that the producers voluntarily extend this cooperation to the consumers would bring increased interest in canned products, and lead the consumers to use them more freely instead of resorting to home canning which is the present tendency.

#### THE NATIONAL LEAGUE OF WOMEN VOTERS

Buyers on a large scale are now in position to require that the goods they purchase meet specified standards. It is impracticable for housewives to do this. For their benefit grades must be nationally established, accepted by the trade and the grade must be given on the label of goods when sold. This can be secured under the Code through cooperation between the Department of Agriculture and the Canning Industry. By this means standards can be given national status which is essential in order to give protection throughout the country to housewives and other buyers of canned goods.

D. H. PALMER,  
Representative, Consumers' Research, Washington, N. J.

Consumers' Research, an organization of some 50,000 subscribers, which I represent, attempts to supply impartial and scientific information about all classes of ultimate consumers goods. The rapid growth of this organization has been due primarily to the fact that intelligent consumers (there are many thousands of them) have discovered the almost complete unreliability of statements about the most common purchase originating from advertisers, salesmen, and manufacturers, including packers of canned foods. Consumers want and are demanding honest and complete information about the food products they pour out of cans and in turn feed to their families and/or eat themselves.

Modern complex processing methods do not necessarily insure a more digestible and wholesome food. Cannerymen are interested in preserving fruit or vegetables until they can be sold for a profit. In contrast with this consumers want unsophisticated wholesome food, kept in as natural condition as possible - not, as is clearly indicated in some instances, fruits and vegetables specially grown and packed so as to extend their preserved life months and years. We want palatable and digestible food, not beautiful shapes and colors packed in corn syrup.

Labeling methods now in vogue are hopelessly inadequate, and the proposed Code of Fair Competition for the Canning Industry does little or nothing to correct the abuses existing under the present system, which permits one simple vegetable to be sold under thousands of brand names and as many different kinds of labels, none of which inform, but only confuse the purchaser. The consumer is confronted with Miracle peaches, Hunt's Supreme Quality cherries, Old Honesty Applesauce, 18 K(arat?) apricots, Pride of California mixed fruits, Dew-Kist beans, Morning Light and Starbeam corn, Sunbeam peas, Frontier 1846 Brand spinach, Golden Shore, Happy-Vale, Rose-Dale, Silver Sea and Sunny Point fish. What, may I ask, is a Maid-Rite Canned Oyster?

In addition to grade labeling, which will provide for full pack, high percentage of solids and a limited amount of tap water, correct sugar density, standard firmness and appearance of contents, etc., labels should give the name and address of the packer, time (by month and year, not by code number) when packed and assurance that if the product in the can was sprayed, or otherwise treated prior to canning, by toxic materials, such as lead arsenate, that such poisons in the canned product come within the tolerances set by the Federal Government.

MATHILDE C. HADER,  
Consumers Research:

"The code tells us what canners will not write on their labels. The consumers are more interested in what they will tell us on the labels."

MRS. JOHN BOYLE, Jr.,  
Chairman, Consumers Council,  
Washington, D. C.

"When I buy canned vegetables I want to get my money's worth. When I go to the grocery store I see some cans that say 'fancy', others say 'selected'. I see well-advertised brands, I see others I have never heard of before. The label of none of them tells me what grade I am buying, I do not know until I  
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get home and open the can just what grade I have bought. I want a guarantee that I am buying exactly what I pay for. Speaking as a housewife, it would seem to me that this (grading) is the best advertisement any canner could have for his goods. I can't see why a canner who is putting out honest goods objects to telling consumers what they are buying."

WILLIAM P. HAPGOOD,  
President, Columbia Conserve Company.

We recommend that the canners of this country take steps toward increasing frankness with the consumers of the country. We wish to be as frank toward them as we have been toward ourselves as a group of worker owners. We have found that this is both a social and a practical success within our own company. The canners know that their lives, as business organizations, depend upon the support of the consumers. All business under the inspiration of the NIRA is beginning to learn the advantages of frankness with the consumers of the country. Therefore, all business, including canners, should take the consumers more and more completely into their confidence. We of the Columbia Conserve Co. are prepared to go as far as the consumers may wish. We know, however, that progress in this direction has practical as well as psychological difficulties, but we recommend that a start be made as soon as possible, by means of which a closer relationship will be formed between the canners and the public.

ALICE L. EDWARDS,  
Executive Secretary of the American Home Economics  
Association.

The consumer needs grade labels on canned foods because the product is concealed from sight, because the quality of canned foods of a given manufacturer or brand or from a given locality frequently change, and because price is not a reliable guide to quality. That price cannot be relied on as a guide to quality is supported by numerous investigations by individual consumers in various parts of the country, by findings of the Federal Trade Commission, and by judging contests carried on by the canners themselves.

There is ample evidence that acceptable quality grades can be established. They are already used under the Warehousing Act and are sufficiently satisfactory for the government to use in its own purchasing of canned food. Millions of dollars have been loaned to canners on foods graded by these standards by bankers and the Reconstruction Finance Corporation.



MRS. AGNES WILKINSON.

Mrs. Wilkinson: Mr. Administrator, although I represent an auxiliary, I want to speak as a housewife and a mother. It seems like this labeling of goods should be done, because a housewife must depend either on a standard brand, which it seems to give the larger canning firms a better headway, and a mother usually picks out the best grade for her child, especially for children between the ages of one and ten. She always wants the best she can get for them, whereas, for other purposes, she can usually use a cheaper and another grade. Often she will pay for a good grade, or for a medium grade, where she could have got the other grade, and it seems that there should be some standard set, so we would know what we are getting for the purpose for which we want to use it. Thank you.

MISS LENA M. PHILLIPS,  
President of the National Council of Women.

Miss Phillips: Mr. Administrator, I come to ask that some provision be written into this code by which the consumer may know something concerning the standards of the goods which is to be bought.

I am the President of the National Council of Women, which is an organization of five million women. We have not taken any action on this. I have not discussed this matter with the whole five million women, as you can well imagine, but this is not a controversial matter in any sense, with women. They want to know what they are buying, naturally, and so I appeal to you gentlemen of the industry, because after all, you got this industry from us. It belonged to your grandmothers, your great-grandmothers, in the home, as you know, and so we feel a sort of a proprietary interest in it, and I appeal to you for fair play.

You are asking us to do something which you, yourself, I believe, would not do. If the producer drove up to your cannery and said, "Well, I have got my crop here; I want you to take it." And you would say "All right, I will come out and look at it." He would say "Oh, no you don't. I have got a fire label on it, that says 'Sunset Glow', and you have got to take it as it is. It is all right. It has got all sorts of things on the label, except what the property is like." You would laugh at him.

Now, the consumer can laugh at you, too, and the way he does his laughing is by buying fresh fruits and vegetables.

So I do appeal to you, as a matter of fair play, because I believe you want to give us that, and then I appeal to you as a matter of good business, because after all, the industry is yours, but the money that supports the industry is ours, and I am sure that you begin to sense that we have a new consumer consciousness in psychology, that is increasing very rapidly in our country.

No matter what you could do with your labels before, consumers are due to know what they are getting, and if you won't tell them of your own volition, I believe that eventually you will tell them, without.

MRS. LECTA STAUBER,  
Representing the Home Makers Group of  
the District of Columbia Home  
Economics Association.

Mrs. Stauber: I speak not from the professional group of home economics people, but from the Home Makers within the District of Columbia Home Economics Association.

Last year the Home Makers Group of the District of Columbia branch of the American Home Economics Association made a brief study of canned corn, peas, and tomatoes to ascertain the extent to which the consumer-purchaser was able to judge the character of the product from the labels attached. Ten women acted as judges, all of whom were homemakers with families who had had experience in home marketing of from five to twenty-five years. They were college women, most of them being graduates in home economics. At the time most of them were doing their own housework without the assistance of a maid. All of these women had had training in laboratory methods and were therefore more accustomed than the average person in giving objective opinions.

The member in charge of the study removed all labels from the cans before the samples were introduced. No information was given the group as to brand, price, or grade of samples to be examined. The samples were opened and presented at the same time, and each woman marked her score sheet independently.

In the lowest price range one may buy corn of all three qualities -- one B grade, two C grade, and one substandard. In the intermediate price range the same holds true. It is apparent that the purchaser cannot be guided by price alone in selecting canned corn.

The labels were very confusing and of little or no help in buying the grades and qualities wanted for different purposes.

The ten samples of canned tomatoes were purchased from representative markets available in the District.

In the highest price range all three grades were represented. Weight of contents was given in all cases. The most commonly used can was No. 2 and No. 2 $\frac{1}{2}$  in case of tomatoes. Some brands, however, use a can slightly smaller than No. 2--No. 303 -- or slightly larger than No. 2 $\frac{1}{2}$  - No. 3. The consumer, therefore, is likely to be deceived as to the actual cost of the contents unless the purchaser is a careful observer accustomed to searching out the actual net weight of contents as printed on the label.

Five brands did not indicate on the label the style of corn contained in the can.

In many cases the clerks did not know the style of corn or the meaning of the term.

Four brands did not indicate the variety of corn.

Because the homemaker is not at present guided by the label or the price, her choice has been made by the "grab bag" method. In many cases her unfortunate "luck" has prejudiced her permanently against the use of canned products. Past experience has proved that the quality of the same brand may vary from season to season and different products bearing the same brand label may vary in quality. Grade B peas and grade C tomatoes often carry the same brand label.

No label gave adequate information as to contents of the can at the time of this study. It is encouraging to the homemaker to find on the market this year a few labels bearing standard grades.

It is the practice of the women in this group to purchase, in quantity, staple canned products. As they purchase flour and sugar, provided a satisfactory quality, fairly priced, can be found. If not, the market provides an adequate supply of fresh fruits and vegetables, particularly vegetables.

MRS. PAUL E. HOWE,  
American Association of University Women.

Mrs. Howe: I am here as a housewife, and as a representative of the American Association of University Women. This association has a membership of 40,000 women graduates of accredited colleges and universities and an associate membership of 40,000 who have completed at least two years of college work.

Our extensive investigation of the market offerings on canned foods leads to the conclusion that it is at present impossible to secure sufficient information with regard to quality

of most canned foods now available either from the brand name, the information on the label or the price asked, or from all three together, to enable a housewife to make an intelligent selection.

We yield to industry the right to protect itself through trade agreements which guarantee fair competition within the industry, and to produce honest goods for sale at prices which give fair profits to those who produce them. We recognize that this will result in somewhat higher production costs and higher prices to consumers. We are willing to accept these price increases if the National Recovery Administration provides some means by which honest values can be recognized by consumers. If one manufacturer debases his goods to cover his increased costs, we want to know that his competitor's goods are worth the higher price he asks. Therefore, this association favors a policy which requires informative labeling, declarations of composition wherever practicable, and grade designations on all consumer goods.

MR. FRANK GERBER,  
Fremont Canning Co., Fremont, Mich.

Now, the insurmountable object (to standard grading) which I spoke of was the very important element of all food products, the element of flavor, which is, I think, admittedly indefinable, and without a definition of that very important element in canned foods, any grade that might be established, and using the word which was before you this afternoon, "Objectively" determined, will fail to give the consumers full information, and it will leave the definition so made, so weak as to be unenforceable at law.

The statement has been made that under the so-called A, B and C grades, which are defined by the Bureau of Agricultural Economics, there is very little likelihood of violation. That is because of the impossibility of enforcement, the impossibility of determining for the purposes of the criminal code, what is good and what is bad. I would like to say that one more fact was brought out in that connection, and that was that this subject of grades is a legislative matter, rather than a matter for the incorporation into a code.

MRS. FRANKLIN W. FRITCHEY  
President, American Home Makers Association

I feel that this is not the time to ask the canners, because I do not believe they are in the frame of mind to give us the effective measure that we are going to ask for later on.

In my effort to find out how the canners of various foods in various sections of the country feel about grade labels, I have from time to time found many of them in favor of it, but they have not been able to find ways and means of carrying out the work. However, this does not mean it will not be tried out by the industry in the near future, and this should be made permissive, and not required at this time.

The canning industry, like all other industries, have keenly felt the depression and now with the working of new codes, marketing agreements and hundreds of canners having to modernize their plants, and many of them on borrowed money, that now is not the time to ask for this special standardization and labeling of canned foods.

MR. CHARLES MILLS

Representing Stokely Brothers & Company and Van Camps, Inc.

Mr. Mills: There are three well defined methods by which any of us can escape provisions herewith objected to. They are being freely discussed. I can name them if you wish.

Deputy White: I would like to have you name these methods of evasion.

Mr. Mills: I will be very glad to do so.

(after a discussion of the proposed open price section, Mr. Mills continued)

In the second place, it is freely predicted that if Mr. Shook can't get us canners to tell what quality we have in the can, we can so confuse the Code Authority as to be able to give differentials and concessions in matters of quality, so that it would be extremely difficult to put on paper means by which such differentials and concessions could be prevented.

MRS. MARY H. RUMSEY

Chairman, Consumers' Advisory Board

Mrs. Rumsey: I had no idea that I was to speak here today. I have not spoken at any of these hearings, because I felt that our expert adviser was the one to really represent us, and I would just like you to know that the Board and I back him up to the hilt, and that, gentlemen, you must realize that women buy 80 per cent of the purchases of the country, and unless you appeal to their pocket-books your industry will suffer. And it seems to me that honest and fair labeling is the way to appeal to their pocket-books. Therefore, it is to your own self-interest that you should carry this out.



Statement made before Group 111 of the Code Authority  
Conference, March 7, 1934, Washington Hotel, Washington, D. C.  
(spoken version rearranged herein; text identical)

No. 7

by Dr. Robert A. Brady  
Special Adviser on Standards  
Consumers Advisory Board, N.R.A.

It seems to us that a very important aspect of "fair trade practices between producer and distributor, and between distributor and customer" - the present subject before this group-- is that of quality standards, grading and labeling.

Why are standards desired? Because prices, as every buyer knows, without stated qualities and known quantities are meaning-less. Imagine paying \$1.00 for some hay. What would the farmer get -- a pitchfork full or a 2-ton wagonload? Yet coal is sometimes sold by the short ton, sometimes by the long ton, in the same area; in package goods sales are made sometimes by net weight, sometimes by gross weight; sometimes by full pack, sometimes by half-pack. Is it intelligent to pay \$5.00 for a pair of shoes? Suppose the shoes are made of cardboard and sewed with leather thongs? An expert shoe manufacturer confessed to being unable to tell the difference, within \$2.00, between a \$4.00 and an \$8.00 pair of shoes without tearing them to pieces. Then what can the consumer know? This is only an isolated case but the consumer purchases thousands of different types of goods. Without guarantees what can he or she do in the face of the variety of goods sold? The catalogue of a large Mail Order House lists over 40,000 different commodities. Most of these go through complicated processes and methods. Quality differentials can only be told by the expert in each particular line. And then only after laboratory tests.

What does industry itself do about this matter? They buy on the basis of specifications. These state specifically what must be supplied. Nothing else will be accepted. The same practice is followed by the Federal Government and the better managed states and municipalities in the United States. But the ultimate consumer is nearly always denied protection of this sort. This is true despite the fact that he is surrounded on every side by attempts not only to not inform but to deliberately and maliciously confuse the issue, mis-state the facts, promise the impossible, and charge the preposterous in price. The work of the American Medical Association, Consumers' Research, the National Bureau of Standards, and the Federal Trade Commission has assembled an enormous mass of facts in proof that private enterprise left to itself will not protect consumers against price extortion and fraudulent misrepresentation of the facts by the unscrupulous dealer. The more honestly conducted concerns and such agencies as The Pure Food and Drug Administration and the Federal Trade Commission have been wholly unable to stem the tide.

Industry has paid very little attention to standards in the preliminary hearings. They have been almost entirely ignored in code formulation. In the first 220 codes, covering the most important American Industries, only about 70 contain clauses having anything to do whatsoever with standards, grading, and labeling. Most of these clauses are absolutely

worthless from the point of view of consuming interests. In some cases they are vague and apt to mislead the consumer. In some cases their effect is the reverse of that desired. Clauses of this type are those which may be used covertly for price-fixing purposes and which allow, in some cases practically compel, the lowering of quality. There are 4 cases, for example, where the Code Authority is actually instructed to declare the giving of guarantees beyond a certain point an unfair trade practice, whereas the bulk of the industries affected have long been accustomed to give and live up to guarantees very considerably in excess of these points. In other codes, standards clauses are patently designed to promote arbitrary price-fixing.

In most of the code hearings organized consumer interests have not been directly represented. In most of the earlier codes where they were represented, their opinions, where offered, were given little serious attention, and their standards data ignored. Were it possible to use specific cases to prove a point of fact, several examples relating to such commodities as textile and wholesale goods could be submitted to substantiate this statement. As a broad generalization it is fair to say that many of the well-known rules used in the establishment of standards by industry itself -- as shown in the work of the American Standards Association, the Commercial Standards Unit of the Bureau of Standards, and the American Society for Testing Materials -- have been passed up in the rush of code writing. These rules provide, among other things, that standards should never be established without full and adequate consumer representation. The reason for this situation is simple. The codes are written by and for sellers, whereas standards are drafted in the main by buyers. Those responsible for original code formulation are interested in buying on their own specifications; that is to say, they would participate in the writing of the other fellow's standards. They intend thereby to prevent chiseling on the quality and quantity of the materials purchased while asking at the same time, to be given a carte blanche in their own sales. They will allow standards only where given this carte blanche. Thus the code set-up not only makes no provision for drafting standards, but also it, in effect, under-writes chiseling in quality and quantity. More serious still, this practice represents, by undermining the basic principles of drafting and promulgation, a general weakening of the whole standards movement built up over a number of years by a series of groups of hardworking and disinterested scientists, engineers and industrialists.

If the codes are to eliminate practices of this sort we feel that the following principles should be adopted by the National Recovery Administration in both code formulation and code administration:

(1) Quality and quantity standards and ratings should be provided in all codes. These should be supported by well-defined consumer-understandable, and readily enforceable labels and labeling systems. In most cases scientific and technical information is available for immediate action along this line; in the remaining cases some action to prevent chiseling on qualities and amounts delivered should be taken immediately.

(2) All standards, grades and labeling systems should be promulgated only through a procedure which guarantees adequate consumer and Government representation. This is a well established procedure in all standardized grading practices of such organizations as the American Standards Association and the National Bureau of Standards. No standard should be established

over the veto of the consumer or Government representatives, and every Code Authority administering standards provisions should possess both consumer and Government representation.

(3) Standards should be so drafted that they (a) promote technical progress, (b) allow the manufacture and/or sale of "Tailormade" commodities to suit individual requirements in industry, (c) allow the freest possible play of consumer choice where individual taste, fashion, and similar factors are of importance.

(4) Standard clauses should not be so drawn that they prevent the manufacture or sale of non-standard goods provided (a) health and safety factors are not involved, (b) they are labeled as non-standard, and accurately with respect to their own qualities, (c) they are not so labeled with the intent or effect to deceive, (d) there is no fair proof that their manufacture and sale does not add confusion and unduly advance costs of production in the industry or sale to consumers.

(5) Barring health and safety factors no standard should be established which does not promote better efficiency or production and distribution.

(6) Any standard grades or labels which tend to promote monopolies should be allowed only on presumption of increased Government participation in the drafting of and increased Government supervision of the industry adopting a standard or standards.

In order to make completely effective these rules and in order to provide necessary guarantees of consumer interests it will be necessary in the administration of the codes to establish at some time or other in the near future a Consumers' Standards Bureau. This Bureau should be provided with a staff of commodity experts, should have at its disposal adequate research funds, and should be charged with the duty of helping the several Code Authorities to establish, promulgate and police the standards provisions of the several codes.

RECOMMENDATIONS OF  
THE CONSUMERS' ADVISORY BOARD  
OF THE NATIONAL RECOVERY ADMINISTRATION  
FOR THE GRADING AND LABELING OF  
SILK GOODS

Report Number 1.

March, 1934

## CONSUMERS AND THE GRADING AND LABELING OF SILK GOODS

In this report the Consumers' Advisory Board is recommending that the Silk Textile Industry, now operating under a Code of Fair Competition, take immediate steps to correct certain obvious and well-known abuses in the manufacture and sale of silk goods by working out grades, labels, and content-specifying terms for the commodities produced which will inform rather than mislead consumers, simplify rather than complicate sale, and favor the honest rather than underwrite the "chiseling" manufacturer or salesman.

There can be no question but that clear-cut, meaningful, and quality identifying terms and labels are the life of fair trade. Without them the language of purchase and sale is reduced to gibberish, and the "chiseler" is presented with a golden opportunity to force competition to follow a sort of commodity Gresham's Law -- poor goods driving out the better. Equally serious is the fact that without such standard terms (nomenclature) and labels, the buyer is placed completely at the mercy of the seller. The ultimate consumer is the most helpless of all buyers because the least skilled in purchase, the least informed by the relevant facts, and the most confused as to the objects of buying.

For that reason the ultimate consumer requires quality grading and informative labeling more than any other buyer. The Consumers' Advisory Board is maintaining that consumers must be protected from unfair competition. Under the NRA this is the obligation and the privilege of industry. In making its recommendations the Consumers' Advisory Board is expressing not only its interest in protecting ultimate consumers as well as all buyers, but also its desire to aid the silk industry, and promote the purposes of the National Recovery Act.



RECOMMENDATION FROM THE CONSUMERS' ADVISORY  
BOARD OF THE NRA FOR REVISION OF THE SILK  
TEXTILE CODE  
with reference to  
WEIGHTING AND FABRIC IDENTIFICATION  
OF SILK

(The weighting of silks with mineral salts (tin or lead) is an accepted practice of the silk trade. In this report the percentage of weighting is calculated on the weight of the finished fabric, i.e. The finished piece of silk with its weighting, as received by the consumer, equals 100%. Goods sold as silks are sometimes silk, sometimes part or nearly all rayon. Occasionally other fibres are combined with silk.

Since 80 per cent of silk yard goods goes to the dress manufacturers, a labeling provision in the Silk Textile Code must precede the including of such a provision in the Dress Manufacturing Code)

I. ABUSES PREVALENT WITH REGARD TO WEIGHTING AND FABRIC IDENTIFICATION

1. No generally valid system for labeling silks weighted with metallic salts is in force at the present time. The law merely provides that if the manufacturer labels his goods his label shall conform to the Federal Trade Commission's definitions of "pure dye silk" and "weighted silk" (See Section IV for Federal Trade Commission rulings)

2. Silk that is completely free from materials added by the manufacturer other than dye stuff cannot be identified at the present time by the consumer. The silk trade has no classification for such silk.

3. The term "pure dye" is permitted to designate silk which contains up to 10% weighting (15% in case of black) under a Federal Trade Commission ruling (See Section IV).

4. All silks containing more than 10% metallic salts (15% in case of black) may be designated as "weighted", allowing the consumer no means for discriminating between silk that is weighted 11% and silk weighted 70%. (All silks containing more than 10% metallic salts must be designated as weighted, if any designation is given; but it is not mandatory that a designation be given)

5. Most of the more reputable retailers keep their customers in ignorance of the weighting of silk garments by using the terms "crepe", "taffeta", "chiffon", etc., unaccompanied by the word "silk", thus avoiding the legal necessity of using the word "weighted". There are some exceptions to this, as for example, in Gimbels' recent "Truth in Advertising" campaign where the words "weighted silk" were frequently used in the copy. The mail order catalogues of Sears, Roebuck and Montgomery Ward make use of the word "weighted" according to the Federal Trade Commission ruling. They also make use of the word in connection with designations of crepe, satin, taffeta, etc. Identification of fabrics (rayon, silk and rayon, silk and wool, rayon and cotton, etc.) is also clearly made in these catalogues. The less reputable sections of the silk industry commonly neglect to use the word "weighted" in advertising and in labeling.

6. There is a general lack of labels or other means of identification to the consumer of fabrics made of silk, silk and rayon, silk and cotton, or other combination of fibers.

## II. SERVICEABILITY OF WEIGHTED SILK

Although there is some difference of technical opinion as to the relative durability of silks of different degrees of weighting, there is much evidence to show that unweighted silks have greater durability than weighted silks; and that the durability of weighted silks of varying ages is lessened, in proportion to age and weighting, by exposure to light and air, by the effects of perspiration, by dry cleaning processes, etc. (See Section V: Other Researches)

## III. FACTS AND OPINION ON WEIGHTING AND FABRIC IDENTIFICATION

1. Analysis of fifty "silk" dresses, prices ranging from \$2.95 to \$59.50 per dress, purchased in New York City in 1931, as part of a silk research project undertaken by Dr. Pauline Beery Mack, Pennsylvania State College, and Freda Gerwin Winning of New York University, showed that the silk of three dresses only contained no mineral weighting, forty-four dresses contained more than 50% weighting, two dresses contained 13% and 38% respectively, while one dress sold as silk was 100% rayon.

2. A project, conducted by the American Home Economics Association in cooperation with the U. S. Bureau of Standards during the college season of 1930-1931, resulted in the analysis of sixty-six samples of silk yard goods purchased across the counter by women college students in cities and towns representing all parts of the United States. Careful analysis showed twenty samples to be pure dye silk, forty-six to have weighting of from 31% to 60% (most of them between 50% and 55%). In 20 cases the sales-clerk made some statement as to whether or not the fabric was weighted, and in 8 of these (when weighting was present) stated the fabric was unweighted or pure dye. The highest priced fabric (\$3.98 per yard) contained 53% weighting, whereas a number of the fabrics costing less than \$2.00 contained no weighting.

3. Memorandum of a survey of silk to determine whether weighted merchandise is being so advertised and sold. Made by the Better Business Bureau of Washington, D.C. An investigation into the retailing of weighted silks was conducted by Mrs. S. P. Muchmore, merchandise manager of the Better Business Bureau, Washington, D.C. The following report of its results was furnished by the Better Business Bureau at the request of the Consumers Advisory Board.

### GROUP ONE

- A. Five department stores' silk yard goods departments were visited on February 16th, 1934. The general survey of these departments indicates that approximately 85% of the yard goods on sale were weighted, as defined by the Federal Trade Commission's Trade Practices - "over 10% for other than black, over 15% for Black."

The salespeople did not differentiate between weighted silk, and "all silk" but did understand that pure dye merchandise meant a material that was not weighted. The clerks in all the stores had a vague knowledge of what weighting meant.

Their general explanation was that weighting was a metal woven into the material to give it body; that weighted silk would shrink but little if properly cleaned; that weighting would not injure the wearing quality of the garment. In all instances, the salespersons were only too willing, when asked, to inform the customer whether the material was, or was not weighted. With the exception of a few placards in one particular store, there was no indication on bolts or placards that weighted materials were being sold. Most of the bolts in all stores carried either the name of the material, (example - blossom crepe); the name of manufacturer and the number of the merchandise; of the statement "silk fabric".

B. On February 19th, a Better Business Bureau shopper answered an advertisement of a Washington department store, headed, "Time to Buy Spring Silks". Under the heading were five different priced items with no mention of weighting

1. One group at \$1.00, contained five different types of material and out of this group only one was pure dye and that was so mentioned in the advertisement. Bolts were not marked weighted.
2. Another was 39 inch plain and printed crepes at 79¢ a yard. This merchandise all contained weighting and the clerk so stated when questioned. There was no mention of this fact in the advertisement. Bolts were not marked.
3. This was 39 inch pure dye printed crepes at \$1.18. This merchandise was pure dye and in this instance the bolts were so marked, which would indicate that the manufacturer is only too willing to mark bolts "pure dye" when such is the fact.
4. This was 39 inch Mallinson's genuine Mossy crepes \$1.59 a yard. The shopper found this merchandise to be an acetate product and not silk, also a placard over the merchandise so informed the customer of the fact. However, the advertisement did not state that this group was of material content other than silk.
5. This was new silk tubfast shirtings, \$1.39 a yard. This merchandise was found to be "pure dye" and all silk.

Another advertisement of "all silk" material at 88¢ a yard was shopped on February 19th. It was found that all of this merchandise was weighted more than the allotted amount and the salesgirl admitted that it was not pure dye merchandise. Another advertisement of silk at 88¢ a yard mentioned one weighted item but Bureau shoppers found that other yard goods in the sale were also weighted.

Still another 88¢ silk yard goods sale which read "All pure silk...." was shopped on February 19th and this merchandise was likewise found to be heavily weighted, to which the salesperson agreed.

-2-

A summary of the advertised yard goods shopped indicates that only once was merchandise actually advertised as "weighted" when all did have considerable weighting.

- C. Mrs. Muchmore was informed by a number of yard goods buyers that the greater majority of stock in silk yard goods departments today, is weighted; and that the public demands a price that will not allow the retailers to supply a great deal of unweighted material. They stated that the bolts from manufacturers in most instances, were not marked, but were wrapped in paper which had printed on the outside the word "weighted". This wrapper is, of course, torn off when the merchandise is placed in the retailer's regular stock. There is nothing on the selvage of the merchandise which would indicate to the consumer the amount of weighting.

#### GROUP TWO

The Better Business Bureau shoppers visited the dress departments of about fifteen Washington department stores and women's ready to wear shops. In most instances, the shopper was not informed that the dress was or was not weighted without first asking this specific question. When the question was put to the salesperson, in many instances she seemed to be fairly well informed as to the difference between pure dye and weighted silk. It was found however, that in the cheaper type stores the salespersons had practically no knowledge of the difference between the two materials; and in one instance, ridiculed the shopper when she asked if a certain garment was not weighted.

In all the stores, the shoppers were assured that weighting would not injure the wearing quality of the garment.

Mrs. Muchmore, personally contacted a number of dress buyers and they all informed her that the manufacturers did not mark any of their garments "weighted". A few manufacturers do mark pure dye merchandise as such.

#### GROUP THREE

- A. On February 17th, 1934, the Better Business Bureau shoppers visited five underwear departments of the leading department stores and found that these garments were being advertised in both pure dye and weighted silk materials, but there was nothing on the garment to indicate quality,

In all instances the salespersons very readily informed the shopper in answer to the question as to which were weighted and which were pure dye.

- B. Six advertisements of silk underwear were shopped on February 19th. These advertisements were headed, quite similarly "Another Silk Slip Sale," "1,000 more silk slips," "Silk Crepe Costume Slips", etc.



Two out of the six groups were found to be pure dye, the remainder were weighted materials.

#### SUMMARY

Summarized, it seems evident that the manufacturers are not marking their merchandise to indicate whether the material is or is not weighted and the retailers are not informing the public, Mrs. Muchmore believes, because they, in turn, are not supplied with this information.

Many advertisements appear with a special name for a particular material but the name does not indicate its material content; that is, whether it is acetate, rayon, cotton, silk or wool.

Mrs. Muchmore states that insufficient provision is at present made to inform consumers as to the real material content of any piece of yard goods or any piece of wearing apparel. She states that the average member of the public cannot differentiate between an acetate product, a rayon product, a weighted silk, or a pure dye silk; and at the present time, there is nothing on the garments to indicate this fact.

4. Summary of Winthrop College project carried on in an effort to obtain best silks possible for two uniforms for each of 1700 girls, made at Pennsylvania State College by Dr. Pauline Berry Mack, assisted by Mrs. Pauline Keeney and Mr. George Fulton.

Thirty samples of silk (ranging in wholesale price from \$0.92 a yard to \$2.20) were analyzed.

Of these, 7 pieces, termed "pure dye" by the merchants who sold them, were found to contain less than 10% dressing and weighting material and thus were correctly designated. Of the remaining 23 pieces, 14, designated "pure dye" by the merchants, proved to include one piece of rayon, and otherwise to have weightings of the following percentages: 13.60, 10.87, 51.50, 47.05, 14.55, 10.72, 13.73, 45.45, 54.75, 10.85, 10.50, 18.25 and 56.40.

Of the remaining 9 pieces 5 were said by the merchants to be weighted. One, termed "slightly weighted" had 48.40% weighting; one was said to contain "a little rayon" but proved under analysis to have no rayon but 51.9 per cent weighting; while on 3 no information could be secured from the seller. (Unpublished)

5. In the Memorandum on the Code of Fair Competition for the Silk Textile Industry prepared by the American Home Economics Association, October 1933, it was argued that:

"weighting added to silk deceives the consumer in that he believes he is getting more silk than he really is, and in that weighting causes it to deteriorate rapidly. There is and should be a demand for the less expensive and less durable fabric, but there are consumers who want and need a more expensive pure silk. \*\*\* Because of the more favorable price, demand for weighted silk would continue but complaints would be reduced because customers would know what they are getting.



"Competition on the retail market of unidentified pure silk, weighted silk, rayon and other synthetic fabrics tends to iron out justifiable differences in price. Pure silk (pure dye silk) is much more expensive to produce than weighted silk because silk is more expensive than the salts of tin and lead which constitute from 11 percent to 75 per cent by weight of a weighted silk. At present rayon can also be produced at less cost than pure silk, although the price of rayon often tends to very closely approach, if not equal, that of silk because of its confusion with silk in the mind of the consumer. Hence the competition of weighted silk and rayon with pure silk when the latter is not distinguished from the former by the purchaser is unfair to the manufacturer of pure silk."

(Note; Some textile fabrics made of synthetic fibres are as costly to produce as silk fabrics of the same general class. Correct identification would in many cases work to the advantage of the rayon manufacturer whose product is to be preferred for certain purposes, for example, draperies).

6. At a Federal Trade Practice conference in April 1932, held in New York City, manufacturers took for granted the widespread practice of silk weighting. Several interesting opinions were expressed:

(a) Mr. W. Robert Blum of the United Piece Dye Works of New York City stated that he believed 85% of all United States manufactured silks were weighted.

(b) Mr. Horace B. Cheney of Cheney Brothers, said that a tolerance of not more than 1% was needed for mordant for dye. Cheney Brothers have advocated labeling and grading.

(c) Dr. Ephraim Freedman of R. H. Macy's Bureau of Standards recognized the prevalence of weighting, and suggested classification of silk in three grades: that with less than 10% weighting, that with from 10% to 50% weighting, and that of 50% and over.

(d) Professor Mack of the Department of Chemistry, Pennsylvania State College, and a recognized authority on silk standards, stated that "any amount of weighting will reduce the cost and the durability of the silk and all other factors being equal the cost and the durability will be reduced in the proportion of the amount of weighting added."

#### IV. STANDARDS EXTANT.

1. Federal Trade Commission rulings on weighted silks.

The Federal Trade Commission approved the following resolution as adopted by the industry:

"In order to promote equality of opportunity and fair competition in the sale of goods in which silk is a component material, any invoices, labels, marks, representations or advertising relating to such goods must be truthful, and must comply with and be within the limitations of the following definitions:

Weighted Goods: Goods containing in the finished state, (a) silk, or silk and other fibre or fibres, and (b) more than 10 per cent of any substance other than silk or such fibre or fibres, except black which shall not exceed 15 per cent, shall not be designated by a designation containing reference to silk or such other fibre or fibres unless there be added to such designation the word weighted or some other qualification which shall reasonably indicate that such goods contain an addition of metallic salts or other substance above mentioned.

Pure Dye Goods: Goods containing silk, or silk and other fibre or fibres, shall not be designated pure dye if they contain in the finished state more than 10 per cent of any substance other than silk or such other fibre or fibres except black, which shall not exceed 15 per cent.

Mixed Goods: Goods containing silk and other fibre or fibres shall not be designated by a designation containing a reference to silk unless there be added to such designation some qualification which shall reasonably indicate that such goods contain fibre other than silk."

2. The method of analysis of weighted silk, recommended by the Bureau of Standards is described in Research Paper 498, Bureau of Standards Journal of Research, November 1932. Mr. W. D. Appel, chief of the Division of Clothing and Textiles, Bureau of Standards, has improved the method of determining metallic weighting so that it can be determined within a very close check.

3. American Society for Testing Materials. Identification of fibres in textiles, and the Quantitative Analysis of Textiles. Tentative methods for: D276-33T.

4. The Bureau of Standards, in cooperation with a group of twelve national associations, including the Silk Association of America, the National Retail Dry Goods Association, the National Better Business Bureau, and the American Home Economics Association, has made technical studies on the effect of tin weighting on the properties of silk. No report of these studies has been published.

5. At the National Bureau of Standards Mr. W. D. Appel has developed an accelerated ageing test by which the manner and degree in which silk will deteriorate over long periods of time, can be shown in a few hours or days. (To be published shortly)

6. The Department of Clothing and Textiles, Kansas State College of Agriculture and Applied Science, has formulated specifications for three grades of silk based on metallic weighting, sizing, freedom from shrinkage in dry cleaning process, breaking strength, thread count, and fast color.

#### V. OTHER RESEARCHES OF USE IN ESTABLISHING SILK STANDARDS

1. Effect of Dry Cleaning on Silks, Technologic Paper 322, Bureau of Standards. In general conclusive evidence of considerable greater deterioration was obtained in the weighted than unweighted silk from exposure to sunlight, and from acid, or alkaline perspiration treatments.

2. A study of the effects of light and air on the physical properties of weighted and unweighted silks, carried on by Dr. Nellie Myres Roberts and Dr. Pauline Beery Mack at the Department of Chemistry, Pennsylvania State College, showed that weighting measurably decreased thread strength and tear resistance and thus decreased the general utility of the silk product. This decrease in durability was in general in proportion to the amount of weighting present and was independent of the mill or the method used in weighting (Detailed report in Journal of Home Economics, February, 1933.)

3. A study of the effects of artificial perspiration on the breaking strength of weighted and unweighted silks, carried on at Pennsylvania State College by Dr. Nellie Myres Roberts and Dr. Pauline Beery Mack, showed that silks of various weightings, treated with artificial perspiration, had measurably lower breaking strengths than pure dye silks. (Detailed report, Journal of Home Economics, May 1932).

4. A study of the effect of dry cleaning solvents upon fabrics (silk, weighted silk, cotton, wool, rayon and celanese) by E. E. Hughes and W. D. Appel, Bureau of Standards showed a decrease in strength of new pure dye silk of about 10% in 10 solvent treatments. Weighted silk decreased in strength to a greater extent. This deterioration was from the action of the solvents alone. The exposure to heat incidental to dry-cleaning and (possibly) diffused light, between cleaning treatments with solvent, was sufficient to render the weighted silk unsatisfactory for further use beyond seven treatments. (Results published in "The Dry-cleaner" June, 1932)

5. A study of the effect of the dry cleaning process upon pure dye silks and weighted silks that are not new has been made by Dr. Pauline Beery Mack and her co-workers at Pennsylvania State College. Results show that weighted silk, aged to the point where it has lost considerable of its strength but still has measurable breaking strength, goes to pieces entirely under dry cleaning process, whereas pure silk aged for the same time under the same conditions is unappreciably affected by the dry cleaning process (Report to be published shortly)

6. Study of breaking strength of unweighted and lead weighted silks made by Miss Polly Bell Kessinger working at the School of Chemistry and Physics, Pennsylvania State College, 1933-34 on a textile fellowship sponsored by the American Home Economics Association. Pure dye silks, after 174 days exposure

to indoor daylight were still strong; weighted silks (63%, 68%) ceased to have measurable breaking strength after 22 to 31 days. (Unpublished report available at Pennsylvania State College)

7. Nature of breakdown products in weighted silks as a result of varying age treatment: study made by Miss Mae Yoder, School of Chemistry and Physics, Pennsylvania State College. Results showed that in all cases perspiration caused greater losses in breaking strength in weighted than in unweighted silks. The results proved moreover that, following ageing, the weighting process causes partial hydrolysis of the protein of which silk is composed. (Unpublished report available at Pennsylvania State College)

8. Effect of storage in the dark on the breaking strength of weighted and unweighted silks. Study undertaken by Miss Anne Argue d'Olier with Dr. Pauline Beery Mack at Pennsylvania State College, 1931-1932. Losses of breaking strength during storage in dark room were found to be small as compared with losses suffered by same silks upon exposures to indoor daylight for much shorter times but greater in all cases with weighted than unweighted silks. (Full report in Journal of Home Economics, February 1932).

9. Effect of weighting on the air permeability of silk. Dr. Nellie Myres Roberts and Dr. Pauline Beery Mack at Pennsylvania State College. The permeability at any air pressure was found to be less, the greater the percentage of weighting. (Full report in Journal of Home Economics, June 1932).

10. The effect of artificial perspiration on the physical and chemical properties of silk. Study by Miss Bessie Mae Yoder, Department of Chemistry, Pennsylvania State College. Breaking strength and tear resistance losses in silk fabrics were found to increase with the amount of stannic chloride-sodium phosphate weighting contained in silk. Some of the nitrogen in silk was converted into a water-soluble form during ageing. This was increased in amount both as a result of treatment with either artificial perspiration or exposure to indoor daylight, and was generally greater than the amount of tin weighting in the silk. (Unpublished)

11. Nitrogen Studies on Weighted and Unweighted Silks. Research made by Miss Ann Lewis Reimal at Pennsylvania State College (Unpublished) Miss Reimal has also made an exhaustive study of the literature on the structure of silk and on the properties of un-weighted and weighted silk and has made an elaborate report of the results obtained by different investigations, presented with charts and a bibliography. (Unpublished)

12. A Study of Consumer Problems in the Purchase of Silk Fabrics by Miss Geraldine Estelle Cook, Department of Home Economics, Pennsylvania State College. Results, given in great detail, show that sales information regarding weighting content is frequently misleading, and that price does not bear consistent relation to quality. Consumers (even those trained in home economics) shown unable to judge weighting and durability of silk textiles by "feel"; and the necessity for labeling proved. (Unpublished. Available at Pennsylvania State College.)



## VI. RESEARCHES UNDER WAY

1. Possible biological effects of lead weighted silks upon the wearer. Study by Miss Polly Bell Kessinger at Department of Chemistry, Pennsylvania State College.
2. The effect of light from different parts of the spectrum on lead weighted silk. Study by Miss Pearl Hawkins at Pennsylvania State College, who shows effects upon eight pieces of silk with different amounts of weighting, measured in terms of changes in breaking strength, and in the percentage of water - soluble nitrogen - Studies being continued with longer periods of irradiation.
3. Further extension of above research is being carried out by Miss Peace Aukenev at the Department of Chemistry, Pennsylvania State College.
4. The acid decomposition of silk fibroin weighted with salts of iron, lead, tin and lead and with zinc, by Miss Jeanette E. Ross, Department of Chemistry, Iowa State College.
5. Studies of consumer choices in the purchase of textile products; a survey of purchasing habits in the selection of silk street dresses. E. L. Phelps, University of Minnesota.
6. Extensive research by Miss Rachel Edgar, Department of Chemistry, Iowa State College, on the construction and mechanical performance of medium grades of typical and staple fabrics, undertaken to gain definition by quantitative description. Results still tentative, but methods worked out appear to be of general application. (Iowa State College Journal of Science, Vol. VIII No. 1, 1933, pp. 17-73)

## VII. ARE EXISTING STANDARDS ADEQUATE OR INADEQUATE?

The standards of the industry, as approved by the Federal Trade Commission, are held inadequate by the American Home Economics Association, the Bureau of Home Economics, and the National Retail Dry Goods Association. The National Retail Dry Goods Association has suggested the classification of silk textiles as pure dye, 25% weighted, 50% weighted, 75% weighted, and more than 75% weighted, with reasonable tolerances permitted. This Association also considers that all lead weighted silk should be marked as such.

## VIII. GENERAL INTEREST

The American Standards Association at the instigation of the American Home Economics Association called a conference on silk standards in June, 1929. The manufacturers, distributors and consumers were represented, the latter by the General Federation of Women's Clubs, the Bureau of Economics (Department of Agriculture), the American Home Economics Association, and the Consumers' Research, Inc. The conference was futile because the manufacturers and the retailers refused cooperation with the consumer organizations on the ground that they were handling the problem through their own Joint Committee on Weighted



Silk. Following the conference the American Home Economics Association and Consumers' Research, Inc. were invited to appoint representatives to a technical sub-committee of the Joint Committee on Weighted Silk. The U. S. Bureau of Standards already was represented. This sub-committee made some practical classifications of the amount of weighting in silk, but shortly ceased to function.

A Trade Practice Conference on Silk Weighting was held in New York in April 1932, under the auspices of the Federal Trade Commission. It drew up a resolution which was approved by the Commission (See Section IV). There were present representatives from the American Home Economics Association, the American Standards Association, the Bureau of Home Economics, Consumers' Research, Inc., and Good Housekeeping Institute.

Because consumers and retailers were dissatisfied with the result of the conference, mainly for the reason that the tin salt content was not specified in the "weighted silk", i.e., "weighted" might mean 11% or 90%, a further conference was held in Washington in November 1932, to reopen the subject. Representatives of the American Farm Bureau Federation and the National Dry Goods Association were present in addition to those from the consumers organizations represented at the previous conference. The consumers' groups considered that the second conference was futile.

A petition was sent to the Chairman of the Federal Trade Commission on December 27, 1932, by

The General Federation of Women's Clubs,  
American Home Economics Association,  
American Farm Bureau Federation,  
The National Grange,  
National Retail Dry Goods Association,

asking for a further trade conference to adopt more explicit rules for giving to retailers and consumers information on the material content of textiles.

No answer was received by the petitioning organizations.

In February 1933, the Federal Trade Commission circularized the Silk Trade Association asking whether the industry wished to hold a further conference as requested. There is no record of further action on this.

#### IX. WHAT HAPPENED IN THE CODE HEARING.

Among the preliminary drafts of the code made by the Silk Association of America was one containing the following clause:

"It is hereby declared to be fair competition for each member of the silk and rayon industry to mark clearly upon each piece of fabric sold by him, so as to indicate whether such fabric is silk, rayon, silk and rayon, or other combination of textile fibres; and if silk whether pure dye or weighted. This marking shall be placed at the end of each piece of material and on each wrapper and invoice for such merchandise."

This clause was dropped out before the public hearing.

Miss Alice Edwards, representing the American Home Economics Association, appeared at the public hearing of the Silk Textile Industry Code on September 12, 1933, to press for the inclusion of a standard clause which should include the rules adopted by the Silk Industry at a Federal Trade Practice Conference on silk weighting held April 12, 1932, and approved by the Federal Trade Commission. (These rulings are those given on Page 9).

In the post-hearing conferences, Mr. Harvey P. Vaughn, Consumers' Advisor, pressed for the inclusion of the following paragraphs (formulated by Miss Ruth O'Brien of the Bureau of Home Economics, and based on the clause which the industry had previously included in the code) as Sections 9 and 10 of Article VIII of the Code.

#### Section 9.

"It shall be unfair competition for any member of the silk and rayon industry to fail to mark clearly the fibre composition upon each piece of fabric sold by him, thus stating whether it is silk, rayon, silk and rayon, or some other combination of textile fabrics, and, if silk, whether pure dye (unweighted) or weighted. This marking shall be placed at the end of each piece of material and on each wrapper and invoice for such merchandise. The definitions of the terms "silk", "weighted silk", and "pure dye" shall be those agreed upon by the industry at the Federal Trade Practice Conference on Silk Weighting, April 1932, and accepted by the Federal Trade Commission."

#### Section 10.

"It shall constitute an unfair trade practice for any member of the silk and rayon industry to fail to comply with the agreement of the industry made at the Federal Trade Practice Conference on Silk Weighting held April 21, 1932, in regard to the use and definition of the terms "silk", "weighted silk goods", "pure dye goods", and "mixed goods" as stipulated in Group I and Group II of that agreement."

These provisions were not included in the approved code.

Great difficulties in formulating the labor provisions of the code, combined with the apathy of the industry, apparently resulted in the shelving of the suggested standard clause.

There is no record of expressed opposition to it. Mr. Godfrey Bloch and Mr. W. L. O'Brien of Deputy Whiteside's staff have stated that the great difficulties regarding wages, the seriousness of the Paterson silk strike, and the necessity of hurrying the code through, caused the shelving of the labeling provision which in the opinion of the industry, offered technical difficulties to some portions of the trade.

A hearing for the modification of the Silk Textile Code was held on December 18, 1933, but the matter of standards was not included in the notice of hearing and was not brought up.

#### X. RECOMMENDATION

(To the Consumers' Advisory Board By its Standards Expert)

1. The Consumers' Advisory Board should go on record immediately in favor of a revision of the Silk Textile Code with a view to incorporation of a clause calling for standards dealing with silk weighting, fabric identification, color fastness, and quality identifying labeling.
2. The Board should ask Dr. Pauline Beery Mack to act as its representative at this revision hearing. Dr. Mack should be supported by technical aid selected from her own laboratory staff, the Bureau of Standards, the Bureau of Home Economics, or any other research and testing agency she may select.
3. At the Code Hearing the American Home Economics Association, Consumers' Research, the General Federation of Women's Clubs, and any other consumer organization should be given a chance to appear and speak.
4. In the drafting of standards there must be consumer and governmental representation. The consumer representative must meet with the approval of the Consumers' Advisory Board, and no standard shall be promulgated over the vote of either the consumer or the governmental representative.
5. The study group should be set up immediately after the code has been revised, and the standards promulgated should become effective not less than six months after the effective date of the code revision. These should then become mandatory on the industry.
6. The standards, grading, and labeling system established should be such as can be readily understood by the ultimate consumer. Labels should be marked on, or sewn into, every piece of goods sold and shall not be removed until sold to the ultimate consumer. It should be an unfair trade practice to label incorrectly, to fail to label, or to remove the label before sale.
7. At the earliest opportunity the standards should be submitted for approval through the machinery of the American Standards Association, the Bureau of Standards, or any other body which will in this specific case guarantee both consumer and governmental representation.

CONSUMER NEEDS FOR HOSIERY STANDARDS

No. 9

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One hundred and twenty million people in the United States pay an annual bill of about one-half billion dollars for one hundred million dozen pairs of hose. These buyers and users wish quality in all cases; fashion and style in most cases. On the former they are helpless since experts are rarely to be found amongst them and the Industry as a whole has thus far done little to protect the public against the "chiseler".

The National Recovery Administration was designed to eliminate "hitting below the belt"---competitor to competitor and industry to the public. For this reason the codes established under its administration are known as Codes of Fair Competition. Translated into action this means fair prices for fair quality and both are impossible without standard qualities and sizing, accurately described to consumers by adequate labels and descriptive terms (Standard nomenclature).

Few industries can sign a Code of Fair Competition and long continue to ignore standards. Lack of proper quality and other standards will give a free hand to the "chiseler", weaken the effectiveness of the fair trade practice section of the Code, and leave an opportunity for the unfair manufacturer and seller to victimize honestly conducted business as well as the general public.

The Consumers Advisory Board in making this report asks that definite action be taken immediately by the Hosiery Code Authority to fulfill the purposes of its own Code: Protect the least skilled of all buyers the ultimate consumers by the establishment of adequate standards, grading and labeling systems for hosiery. In doing this, and on behalf of the entire American public, the Consumers Advisory Board helps to underwrite the conscientious manufacturers and sellers, lends support to the intent of the Hosiery Code itself, and asks that the program of the President of the United States be translated into the language of daily practice within and by this Industry.

(This report was circulated in draft form to a number of well recognized authorities in the field in question, and, in its present form, represents in the opinion of the Consumer's Advisory Board, a condensation, collation, and summarization of the best and most impartial technical, and consumer fact and opinion available.)

HOSIERY  
RECOMMENDATIONS FROM THE CONSUMERS' ADVISORY BOARD OF THE N.R.A.  
FOR  
THE REVISION OF THE HOSIERY CODE  
WITH REFERENCE TO  
FIBRE, LENGTH AND QUALITY STANDARDS FOR HOSIERY.

(Current practices within the industry show lack of methods of identifying fibre content to the consumer, lack of consumer standards for durability, insufficient standards of length and sub-standard construction hidden by a presentable appearance when new. These conditions work to the detriment of the consuming public.)

1. UNDESIRABLE PRACTICES

From the point of view of the consumer who desires information regarding the quality of hosiery on the retail market, the following undesirable practices occur in the hosiery industry.

A. Fibre content is usually not stated and adequate branding and labeling of fibre is not required. (Note: A very limited label of the fibre content is obligatory under the Hosiery Code. See Section IX of this report.)

Rayon hose are commonly not labeled as such and therefore may be mistaken for silk by the consumer. Cheaper grades of women's stockings and a large proportion of men's socks on the market are rayon, but they are rarely so labeled. Labels if present, frequently are misleading: for instance, rayon, combined with cotton and wool, is used for a heavy hose labeled "rayon, cotton, and wool". Under the code this is allowed, though the hose contains 90 per cent rayon, 5 per cent wool and 5 per cent cotton.

Some manufacturers have built up a reputation by advertising for the appearance and durability of their particular type of synthetic fibre. For instance, Bemberg, produced by the American Bemberg Corporation, is the chief synthetic fibre manufactured by the cuprammonium process in this country. It is used to make a fairly expensive fibre and is invariably labeled Bemberg, thereby substituting a trade for a fiber name.

B. Durability standards of value to consumers have not been established.

C. Gauge is not properly represented. There is frequent ambiguity in the manufacturers' marking of "Gauge" on boxes and labels. "Guaranteed 45-gauge" may mean no more than that the hose has been knitted on a 45-gauge machine, which has 420 needles at the head, though the full head of needles may not have been used. Stockings made with 396 needles on this machine may be labeled 45-gauge though an inch of fabric will be lacking from the width of the leg.



D. Length standards are insufficient. The Commercial Standard (CS 46-32) in use in the industry establishes a thirty inch medium length for women's hose, but does not provide a standard for shorter or for longer lengths. No objections have been raised in the past in regard to its standards of length for men's, boys' and children's hose.

E. Weights or nature of yarn for various weights of stocking (heavy-service, service, service-sheer, sheer etc,) are not identified by adequate standards. Spun silk, rather than thread silk may be used in reinforcements without the purchasers being made aware of the fact by labels.

F. Construction is not properly represented: Mock, full-fashioned hose (circular-knit with mock seam and fashion points) may be mistaken by the uninformed consumer for full-fashioned hose, no informative labeling being required on this point at present.

G. Old stock hosiery sometimes sold as new: Silk hosiery left on the retailers' hands at the end of a season is frequently re-dyed, or sometimes bleached and re-dyed, in the new season's colors. Such hosiery has been decreased in potential durability by the process. Because it is not branded "re-dyed", the consumer has no means of identifying such hosiery.

## II. THE NEED FOR STANDARDS

In speaking of the need for standards Miss Alice L. Edwards, executive secretary of the American Home Economics Association, has said:

"Girls and women in the low wage groups spend relatively, and in many cases actually more than do women with moderate incomes. If, for example, a girl pays from 40 to 50 cents for a pair of hose, and a pair lasts only one week, she will have to spend from \$30 to \$26 per year. This represents considerably more than a week's wages for many girls and women. Expenditures for hose may well be kept within from \$12 to \$20 by women who are able to buy a better quality and to select three pairs of the same kind at one time.

"Appearance of hosiery is of course important. Of this the consumer can judge for herself. She is less fortunate when it comes to judging quality. Here she needs definite reliable information as to the wear value of hose. Standards should be employed which will take into consideration the wear of the toe, heel and welt of the hose, and the relation between the heavier parts and the thinner portions. It is especially important that there be reasonable safeguards against runs starting where the heavier and thinner portions join."

The situation today is such that full-fashioned silk hosiery of decidedly inferior construction is offered, advertised, and sold in competition with similar appearing hosiery of high quality construction. Appearance is at present the consumers' only index to quality. She is aware of little more than that service weight is more durable than sheer. Sheer happens to be the fashion of the moment. But the consumer has no means of distinguishing a well-constructed sheer stocking from a sub-standard product of poor durability as they are alike to the untrained eye. The quality of the product bears little relation to its price in the retail market. Experiments at the Bureau of Standards have shown that a 69 cent

pair of hosiery frequently has greater durability than hosiery retailing at 95 cents and more per pair.

The number of courses of silk per inch that ought to go into hosiery may be skimped, the proper weight of yarn is frequently not used in the welt; the heel, sole and toe reinforcements may be of inadequate construction, but the appearance of the new stocking reveals none of these weaknesses.

"The cost of manufacturing hosiery of a standard grade, providing a reasonable degree of durability, would not tend to be more than 2 cents a pair over the manufacturing costs of the poorest article now on the market." This statement has been made by one of the most important hosiery manufacturers in the United States.

While the Hosiery Code at present requires the branding of seconds and irregulars as such, without a standard set by law the manufacturer is permitted to use his own judgment as to what are "seconds" and "irregulars". Whereas most manufacturers state that of the normal product of the mill, at least 15 per cent falls obviously into this class, not more than 5 or 6 per cent of the output of most mills is being sold at present as sub-standard, and frequently the run of the mill is purchased by wholesalers and put on the market as "firsts."

### III GENERAL INTEREST IN STANDARDS

1. The General Federation of Women's Clubs through its Standardization Committee has recognised the lack of standards in the hosiery industry and has in the last year directed its efforts towards the development of a standard specification for women's full-fashioned hosiery. (See Section V)

2. The American Home Economics Association has urged that not less than three lengths be included in the commercial standard for women's hose. The August, 1933, issue of the Pictorial Review, at the suggestion of the American Home Economics Association, included a coupon to be filled in by women indicating the length of hose preferred by them. The result shows that many women prefer hose from 32 to 34 inches long. Of those replying, approximately 25 per cent preferred hose 34 inches or more in length, 38 per cent preferred hose 32 or 33 inches in length, and 25 per cent preferred hose from 29 to 31 inches in length, and 12 per cent preferred them to be 28 inches or less in length.

The difficulty taller women experience in obtaining hose of the proper length has doubtless resulted in a relatively greater response from those needing the longer hose. However, returns clearly indicate that a range of lengths in women's hose is required to meet women's needs.

### IV STANDARDS EXTANT

1. Regain of Mercerized Cotton Yarns, Commercial Standards CS 11-29, "established as a commercial standard to eliminate constant confusion and dispute as to proper weight of mercerized yarns for the computation of buying and selling price."

2. Commercial Standards CS 46-33 for lengths for women's hose, men's socks, and boy's, children's and infant's hosiery.

3. Model specifications for full-fashioned hose have been set up by the Better Fabrics Testing Bureau of the National Retail Dry Goods Association for the use of retail hosiery buyers. These specifications are used by most testing houses. They include style of hosiery (full-fashioned, half-fashioned or tubular) length of welt, length of boot, length overall, total number of needles or gauge, finished wales per inch, finished courses per inch, total needles dropped, yarn construction on back and front, welt, boot, high splice, heel, sole, and toe block (if present) and percentage of metallic weighting.

(NOTE: The mail order houses and the large department stores invariably buy by specification. Many buyers for smaller stores make use of the Better Fabrics Testing Bureau's specifications. See above. These published specifications are presented in reports classified by gauge and strand construction for hosiery in each of 46 different price classes. While such specifications furnish valuable information they cannot be considered as consumer standards.)

4. Within the industry, the research staff of the National Association of Hosiery Manufacturers has been working on the development of standards of construction for staple styles of hosiery. A committee of twenty or more leading manufacturers are conducting tests and discussions. Their objective, as stated by Mr. Earl Constantine, executive director of the Hosiery Code Authority, is to make "A definite proposal on the subject which we will offer for adoption as a Commercial Standard."

#### ARE THESE STANDARDS ADEQUATE OR INADEQUATE?

The standards which exist are plainly fragmentary and do not cover consumer needs.

Of the 97,000,000 dozen pairs of hosiery (excluding infant's, athletic and golf hose) produced in 1932, 30,000,000 dozen pairs were women's full fashioned hose. No standard specifications are in existence to provide for the consumer a product of reasonable quality. The consumer is assured only of correct foot sizing and of a stocking ranging from twenty-nine to thirty-one inches in length (unless she purchases the special long or short lengths carried by some stores.)

#### V. PROJECT TO DEVELOP CONSUMER STANDARDS

At the suggestion of the General Federation of Women's Clubs, the United States Bureau of Standards has been working during the past year on the development of a standard specification for women's full-fashioned hosiery, to be used as a basis for the labeling of standard grades. The properties of hosiery in which the General Federation was mainly interested were stretch, resilience, bursting strength, and ability to resist "runs". A method for testing the performance of hosiery when it is repeatedly distended in a way which subjects it to stresses similar to those which result from use has been developed at the Bureau of Standards for the purposes of this project.

A proposed specification for women's full-fashioned hosiery based on this method of testing has been submitted by the General Federation of Women's Clubs to the Trades Standards Division of the Bureau of Standards, which division is now in consultation with the Fair Trade Practice Committee of the full-fashioned section of the Industry.

This tentative standards specification established three lengths, 27", 30" and 33" (a by-lateral 1" tolerance being permitted in each case). This would permit the labeling of lengths as short, medium and long.

It is understood that a set of minimum standards relating to gauge, number of needles at the top, number of narrowings in the leg, number of courses, total number of courses, welt and minimum area of reinforcements on heel, sole and tow are set up for each type of hose (Sheer, semi-sheer, semi-service, etc.), and are being considered in the Full-Fashioned Section of the National Association of Hosiery Manufacturers.

The plan of the General Federation of Women's Clubs is that the industry, in accepting such standards specifications, would establish an approved standard of quality which could be used for purposes of labeling and branding. Goods not labeled as coming up to this standard would be considered by the consumer to be questionable.

Consumer standards for weights of yarn for use in leg, welt, heel, sole and toe reinforcements, and for methods of construction of heel, sole and toe reinforcements are not at present available. It is understood that the General Federation of Women's Clubs project does not include reference to these matters though it specifies the area which reinforcements shall cover.

As far as can be discovered no tests have been developed for indicating the degree of resistance of the leg and ankle portions of the stocking to "snags".

(NOTE): The Industrial By-Products and Research Corporation of Philadelphia is the only testing laboratory known to have developed standards for heel, sole and toe construction. This laboratory has developed testing machines for hosiery covering these points for a New York department store.)

## VI. SIGNIFICANT EXPRESSIONS OF OPINION IN THE INDUSTRY

The following are typical:

(a) Statement by Mr. J. M. Botts, of Harrington & Waring, as quoted by Daily News Record.

"In the interests of better trade practice, the time is ripe for taking definite action regarding identification of hosiery quality,"

says J. M. Botts, of Harrington & Warring. He suggests that by means of a transfer or label, the number of needles employed in the actual knitting of the stocking, not the number of needles on the bar, be clearly indicated that buyers as well as the consumer may have an accurate basis for estimating quality.

"If it is recognized that it is good trade practice to leave two needles at each side of the bar unoccupied for the purpose of making a better selvedge, and a knitter uses 338 needles in making a 43-gauge stocking or 416 needles in making a 45-gauge stocking, that should be stamped on the stocking by transfer," Mr. Botts stated.

"The buyer should not be interested in the number of needles on the bar but in the actual number occupied in the knitting of the stocking. This and not gauges is the only true indication of quality."

(b) Mr. Alexander Propper, Manager, New York Office, Mandel Brothers of Chicago, says, as quoted in the Bulletin of the National Retail Dry Goods Association: "We all know that it is very easy to cut hosiery down to a price, and this I'd like to emphasise, because that is all we have been doing in the past, cutting it down to a price. Any manufacturer, unknown to us or to anybody, can easily take something out of a hose, that we don't know has been taken out until we find that the customer is dissatisfied, and that something has marred the wearing qualities of the hose. Courses can be dropped, inferior silk can be used, threads can be tightened and other small manufacturing qualities that are not discernible to the naked eye can be cheapened. It is essential to keep up at all times the quality of hose that we are going to carry.

"Now, how can we do it? There is only one way. Have definite specifications of manufacture in various price lines."

#### VII. RECENT SURVEYS ON CONSUMER NEEDS IN HOSE

(a) Professor Rosamond C. Cook, Department of Home Economics, University of Cincinnati, received 1790 answers to a hosiery questionnaire. The question "Are you satisfied with the amount of wear you get from your hose?" was answered in the negative by 65.6% of the women who replied. Asked to indicate in the order of importance which of the following factors influenced their choice of hose, the answers were as follows: Satisfactory wear was put in the first place 557 times. Appearance was given first place 449 times, price 443 times with other factors such as advice of friends, nearness of store, charge account at store, advertisement of brands, etc. being checked as relatively unimportant. (Report published in Home Economics News, November, 1931, Manual Arts Press, Peoria, Illinois. Now combined with Practical Home Economics.)

(b) Dr. Cook, University of Cincinnati, in an article entitled "Consumer Study of Hosiery Advertising", Journal of Home Economics, (December 1929) outlined a project undertaken by students enrolled in the School of Household Administration, University of Cincinnati, to discover how far the facts which a consumer should



know are mentioned in the hosiery advertisements of the National brands. The results indicate that few advertisers give any facts pertinent to the durability of the stocking. Those that mentioned wearing qualities rarely named any factor which made for service.

(c) A hosiery standardization project was conducted last year by the student clubs department of the American Home Economics Association. The student home economics club at the University of Missouri planned the project and tabulated and analyzed the results. A summary to appear in the April issue of the Journal of Home Economics states: "This study indicates that the college girl prefers full-fashioned, silk, chiffon hose. At the time of the study she was spending about twelve dollars a year for hose. Apparently advertising influences her judgment and selection. She desires information concerning wearing qualities which is difficult to get at present. These facts indicate she needs and would welcome adequate guides in buying hose."

#### VIII. RESEARCH UNDER WAY

Miss Jessie E. Richardson, Head of the Department of Home Economics Research, Montana State College, Bozeman, Montana, has been supervising a two-year project on the selection, care and wearing qualities of women's hosiery. Careful studies of the construction and actual wearing qualities of fifteen brands of silk hose are being made, in addition to mechanical tests with an abrasion machine. The statistics which have been collected will apparently establish that gauge number is not a reliable guide to construction, owing to frequent shortening of the needle bar. The use by some manufacturers of a boarding frame, insufficiently wide in foot and ankle, to give a spurious appearance of greater length to the finished hose, is proved by an extensive series of measurements taken in connection with this project. The wearing qualities of different types of reinforcements have been studied. Valuable research has been done on the optimum number of twists per inch of yarn for durability, tending to show that the ease of "snagging" bears a relation to yarn twist. Final tabulation of the results of the project will be made within the next few months.

#### IX. WHAT HAPPENED IN THE CODE HEARING

The proposed Hosiery Code as submitted for public hearing on August 10, 1933, by the National Association of Hosiery Manufacturers, contained the following labeling provisions:

##### "ARTICLE VIII.

- (b) All full-fashioned hosiery, and all seamless hosiery other than bundle goods, which is not first quality shall be stamped or transferred either "Irregular" or "Seconds" on the toe or sole of each hose, except that goods of a lower classification commonly known as thirds must be stamped or transferred "Thirds."
- (c) All stamping of this nature must be indelible. The words "Irregulars", "Seconds", or "Thirds", must be

in full-face type letters of not less than three sixteenths of an inch in height.

12. Misrepresentation of materials

- (a) If any definite section or sections of the hose be made of a material entirely different from that of the bulk or body of the stocking, when such material gives the appearance of silk, the hose must be stamped with the names of both materials.
- (b) No material or content shall be stamped on any hose unless it represents at least five per cent (5%) of the hose by weight. When two or more contents exist, if any content is stamped on the hose, all contents constituting five per cent (5%) or more of the weight of the hose shall be stamped and in the order of major content."

These provisions remain in the code.

In addition to the above, the proposed code contained the following provision:

"The Association will cooperate with the United States Bureau of Standards to establish minimum standards for fabric construction.

"Commercial Standard CS 11-29 on Regain of Mercerized Cotton Yarns, and Commercial Standard CS 46-33 on Standards for Hosiery Lengths, which already have been adopted by the Industry, are made a part of this code. Deviation below established standards will be unfair trade practice."

At the hearing there was no comment on this provision, according to the transcript.

The wording of the clause referring to Commercial Standard CS 46-33 was, however, apparently ambiguous, resulting in one meaning being put upon it by the Consumers' Advisory Board while another interpretation was placed upon it by the hosiery industry.

On August 12th, two days after the public hearing, Dr. George Taylor, Industrial Adviser, suggested to the industry at one of the post-hearing conferences that this section be amended to make it clear that the Bureau of Standards commercial standard (CS 46-33) applies only to hosiery of medium length, and that the industry be permitted to make shorter and longer lengths providing these were clearly marked.

In the perfectly laudable attempt to bring the major industries under the Codes at the earliest possible date, the question of consumer standards was passed up and no action was taken.

on changing the wording in spite of the fact that Mr. C. C. Balderston, Consumers' Adviser, urged such a change in a memorandum to Dr. Lindsay Rogers, Deputy Administrator, on August 14th. The memo says in part:

"Moreover a change in Article VIII, Paragraph 3, seems essential in the interests of both consumers and mills. The present statement would, I believe, prevent the manufacture of hosiery of any length except within a narrow tolerance (CC 46-33).

"The Bureau of Standards informs me that this was intended as a description for medium length hosiery only, and obviously there is need for short and long lengths as well. For the consumer protection, however, these odd lengths should be clearly marked."

The code was approved on August 26, with this provision omitted.

The hosiery manufacturers have taken the attitude that the clause as it stood originally in the code would have provided an adequate standard because, in spite of the wording of the proposed code, Commercial Standard (CS 46-33) states in its text - "The standard length of ladies full-fashioned and seamless hosiery is 30 inches in all sizes and this length will be furnished when not otherwise specified. Other lengths are available as required. Tolerance for all lengths plus or minus one inch."

The matter of identifying by labels or other marks the fibre content of hose, whether silk, rayon, cotton or wool was not taken up at any time during the formulation of the code, so far as the record shows.

The hosiery industry at that time opposed the idea of having consumer representation on the Code Authority.

#### X. RECOMMENDATIONS

1. A Committee charged with the duty of recommending length, fibre-identifying, and quality standards and labels should be appointed by the Code Authority immediately. This Committee should possess equal representation of the industry, consumer groups and the government. The consumer representatives should meet with the approval of the Consumers' Advisory Board.

2. The report of this Committee should be made to the Code Authority within not less than six months after date of its appointment. The standards recommended, following adequate review by producer, distributor and consumer interests, should be adopted by and made mandatory upon the industry in not less than three months after the report of the Committee.

3. The Committee should be encouraged at the beginning of its investigations, following these, of following the adoption of the Committee's recommendations by the industry, to refer the whole or any portion of the task delegated to it to the American Standards Asso-

ciation, or the Division of Trade Standards of the National Bureau of Standards, or the American Association for Testing Materials, or any other standards promulgating body now established or to be set up, for adoption, through such procedure or procedures, as American Standards, provided their representation be guaranteed as in (1) above. The provisions of (2) above should apply as far as the time limitation is concerned.

4. Complaint of violation of established provisions should be referred as follows:

- (a) To the Code Authority with duplicate copies to the Industrial and Consumers' Advisory Boards:
- (b) By the Code Authority to the National Bureau of Standards for testing and technical report; and
- (c) To the Federal Trade Commission in recalcitrant cases.

5. Reports and standards prepared by the Committee should not be so worded as to prevent manufacture or sale of non-standard, sub-standard, or super-standard grades of hosiery, provided that the labels which must be attached to the hosiery accurately indicate the nature of the deviation, and further provided that there is no evident attempt to thrust unsatisfactory products upon consumer. Such a policy would be in line with technical improvement within the industry.

6. The Committee (constituted as in Recommendation 1.) following these recommendations should be given permanent status and charged with the duties of redrafting, rephrasing, reworking, and policing standards as determined by the exigencies of manufacture, sale and consuming interests.

April 4, 1934.

RECOMMENDATIONS FROM THE CONSUMERS' ADVISORY

BOARD OF THE N.R.A.

FOR

REVISION OF THE FISHERIES INDUSTRY CODE

WITH REFERENCE TO

STANDARD QUALITY GRADING AND LABELING OF

FRESH AND CANNED FISH

Report Number 3.



CONSUMERS' INTEREST IN STANDARDS FOR  
FRESH AND CANNED FISH.

All perishable foods require standards for grading in law and finished states, for methods of handling, packing, and shipping, and for declaration of conditions and nutritive worth to consumers.

Important steps have been taken along these lines in the meat foodstuffs field. The Federal Meat Inspection Service has functioned as guarantor of the public health by establishing and enforcing minimum hygienic and sanitary standards. The Bureau of Agricultural Economics has made important advance in laying the foundation for an industry valuable and consumer usable system of standards, grades, labels and terms (nomenclature). A great deal of work lies ahead before the labor of these public service bodies are fully rounded out, and before the results can be brought home adequately to meet the needs of ultimate consumers in general. But a great and important work has been undertaken in a systematic, economically justifiable, and public spirited manner.

Fish is an even more perishable food than meat and hence there is a more real need of standards throughout the fishery industries. Standards however are lacking and to this may be ascribed in part the fact that the per capita fish consumption in the United States is one of the lowest in the world. Fish, however, are plentiful and standardization should do a great deal towards making this highly valuable foodstuff a much more important element in the national diet than it has been in the past.

The fisheries industries are now operating under a master Code of Fair Competition. Fair Competition has been defined by the President of the United States and by General Johnson to mean fair between different business interests and fair to the public. The Consumers' Advisory Board wishes to point out that adoption of this thesis, implied in the code which the industry has agreed upon, calls for guarding the public health and accurate statements of fact regarding the condition and quality of the product sold. The industry's own stated position, in other words, can be implemented in this respect by adoption of consumer valuable standards as an integral portion of the fair trade practice provisions in its blanket and subsidiary codes.

In making this report the Consumers' Advisory Board throws its support wholeheartedly behind those elements in the industry and those principles underlying the National Recovery Act which declare a new deal for the consumer to be a condition to any genuine recovery and enduring prosperity.

(This report was circulated in draft form to a number of well recognized authorities in the field in question, and, in its present form, represents, in the opinion of the Consumers' Advisory Board, a condensation, collation, and summarization of the best and most impartial technical, and consumer fact and opinion available.)

RECOMMENDATIONS FROM THE CONSUMERS' ADVISORY  
BOARD OF THE N. R. A.  
FOR  
REVISION OF THE FISHERIES INDUSTRY CODE  
WITH REFERENCE TO  
STANDARD QUALITY GRADING AND LABELING OF  
FRESH AND CANNED FISH

A.

FRESH FISH

WHOLESALE AND RETAIL

I. THE NEED FOR STANDARDS

(a) "Probably no food industry today suffers so much from disorder and chaos in marketing methods as the fisheries industries of this country - - - - .

"The absence of standards of quality permits the sale of stale fish. - - - - No one can dispute the fact that this (lack of standards) is the principal cause for the inability to increase the per capita consumption of fishery products in this country. The United States has a lower per capita consumption of fishery products than any other important nation of the world.

" - - - - the failure on the part of the fishing industry to recognize and enforce among themselves standards of quality has permitted - - - - many wholesale and retail markets whose appearance have a tendency to prejudice the consumer against this most important class of food."

Statement by John Ruel Manning, Chief Technologist,  
U. S. Bureau of Fisheries, in-  
Fishery Industries Specification  
Memo. No. 2450-E

(b) "The multiplicity of species of available food fishes, the confusion regarding common names under which

they are offered for sale, the variations in quality of individual fish with any species, and other instable elements existent in the distribution and sale of fishery products, all contribute to make the intelligent buying of fish by the consumer a difficult task. Standards, or grades, if based on proper quality factors lending themselves to accurate description should help to eliminate such confusion. It must be borne in mind, however, that in descriptions of grades, or standards, there should be no provisions to cover various stages of decomposition. In fish and shellfish on the market which are entirely fit for consumption, there are, of course, varying degrees of freshness. The fish may be in a fresh condition characterized by rigor mortis, or they may have undergone post-mortem changes to such an extent that the original appearance and eating quality have been somewhat impaired. However, if such deteriorative changes producing a condition sometimes described as staleness have progressed to the point where the products are, in fact, decomposed, their shipment and sale is very definitely prohibited by the terms of the Federal food and drugs act, and of other existing food laws. Decomposed fish are not poor quality fish entitled to a low grade designation. Such fish are, under the terms of the food and drug act, adulterated, and they have no legal right on the market.

"Claims based on factors such as size, maturity, sex, fatness or leanness, species, color, and similar characteristics, and, in the case of canned products, all additional factors involving for the most part workmanship in packing would undoubtedly be helpful to the purchaser. Any change in the present methods of distribution and sale of fishery products enabling more intelligent buying would be beneficial, both to the industry and to the consuming public. The establishment of carefully described grades, or standards, which can be applied under actual commercial conditions of production and distribution would constitute a progressive step in the marketing of seafoods."

Statement by Dr. A. C. Hunter, Senior Bacteriologist,  
Food and Drug Administration,  
U. S. Department of Agriculture.

II. UNDESIRABLE PRACTICES IN THE FISHERY INDUSTRY,  
AFFECTING QUALITY OF PRODUCTS, WHICH SHOULD BE  
CORRECTED BY ADEQUATE INSPECTION AND GRADING.

The following undesirable practices are prevalent, according to the Bureau of Fisheries of the United States Department of Commerce:

1. The sale of stale fish due to the absence of consumer standards of freshness. Grading for freshness and size is done by the industry but there is no uniformity in its grades. Size grades vary within the species.

2. Widespread unsanitary methods of handling, such as:

(a) Inadequate cleaning of fishing boats and insufficient use of tarpaulins in protecting the fish while in the fishing boats.

(b) The general use of the pitch fork or pew in unloading fish from the boat, causing wounds in the fish which are fertile breeding grounds for bacteria capable for causing rapid decomposition, besides spoiling the appearance of the fish to the consumer.

(c) The use of harbor water, insufficiently chlorinated, for the cleaning of fish. This is a common practice at many fishing centers. At the Boston Fish Pier harbor water, known to be so polluted by industrial and sewerage waste that fish cannot live in it, is used, with insufficient chlorination, to wash fish and fillets. (The Cloucester Laboratory of the Bureau of Fisheries is now making detailed bacteriological analyses of Boston harbor water as used at the Boston Fish Pier, preparatory to calling the attention of the local health authorities to the practice.) Similar conditions prevail at San Pedro and other West Coast harbors where spoilage of fish is attributed by the Federal Food and Drug Administration to the use of dirty harbor water. This abuse exists also in many smaller fishery centers.

(d) Insufficient cleaning of floors and of pails, tables, knives, containers and other equipment, used in the handling of swimming fish, either whole or in fillets, or in the shucking of shell fish on fish wharves. This includes unsanitary conditions prevailing in the crab fishery industry, which have led to seizures by the Federal Food and Drug Administration in the past few years. In many centers fish waste is removed in barrels which are never adequately cleaned and which serve as sources of bacterial infection.

3. The use of ice in direct contact with fish to prevent decomposition. While direct contact with ice is immensely to be preferred to no means of refrigeration whatever, yet its effect upon the fish, in bleaching out valuable nutritional matter is such that the fishery industry and trade would do well to consider the adoption of methods of packing and display whereby parchment paper, or containers of some other kind. Would preserve the fish from direct contact with ice. Retail fish dealers are particularly remiss in this respect. The following statement has been made by Mr. Frank T. Bell, Commissioner, U. S. Bureau of Fisheries:

"Experiments conducted by technologists of this Bureau have shown that fresh water ice in direct contact with fish will bleach out of the fish, under varying conditions of time, and other influencing factors, as high as 40% of the soluble proteins, minerals, flavors and other miscellaneous co-factors in that particular fish or fishery product. This will happen whether the fish has been subjected to a freezing process or not."

4. The "blowing" of shucked oysters for an unnecessarily long period. If "blowing" (which is necessary for cleansing) is continued for more than three or four minutes, the oyster absorb so much fresh water that a gallon of newly shucked oysters may, when "blown" become ten pints. Time and again the Food and Drug Administration has sought to protect consumers against this petty thievery. Only recently a case was brought against an oyster company on a charge of adulterating oysters with water. When the action was tried before a jury in the Federal District Court, the judge took occasion to praise the Food and Drug Administration for its zeal in the public's behalf. The fraudulent practice of selling water as oysters he condemned. But because the total solids of oysters vary under different conditions and no legal standard has been determined for them, he dismissed the case.

### III. GRADES AND STANDARDS EXTANT

#### (A) Federal Specifications

Federal specification for fresh fish (PT-F-381) deals with four types of fish: Fresh (unchilled or unfrozen), Chilled, Frozen (regular) and Frozen (quick process). The only grade specified is "best quality". Requirements for frozen fish include



temperature and period of freezing for the "Quick Freezing" process, and prohibit refrozen fish.

PT-F-371 (dealing with canned codfish and haddock) requires material and workmanship "shall be of best quality and in accordance with best commercial practice, prepared and furnished under strictly sanitary conditions, and shall be free from artificial coloring, adulteration and impurities".

PT-O-956-A establishes three grades for shucked oysters defined according to the number per gallon. These grades differ considerably from those established in the Fresh Oyster Code. Detailed requirements are "shall be strictly fresh shucked oysters, solid packed, shall be free from chemical preservatives and added water, shall not have been placed in direct contact with ice".

PT-O-951 for canned oysters - requires that "oysters shall be bright in color, shall have a typical fresh odor and pleasing flavor, and shall be a fairly uniform size within the specified types. Liquor shall be of a good color and of a consistency natural to the product.

PT-S-31 Federal specification for canned salmon - states that the product shall be of the best quality of the type specified, and gives details regarding requirements for canned Chinook, red, Coho, and pink, on the one hand, and Chum on the other hand.

PT-S-51 Canned sardines. Requirements that they shall be "firm but tender; well cleaned, uniform in size and as to fancy grade; shall be perfectly processed and free from red feed or other objectionable material. Bones shall crush easily when pressed between thumb and finger, shall be packed not less than eight sardines to the quarter size can, with the interstices well filled with either olive or other edible vegetable oil of the best grade".

PT-S-311 and PT-T-771 set up specifications for canned shrimp and tuna fish along the same line. Four grades have been established in Canada.

#### (B) State

##### (1) Massachusetts.

The Legislature of the Commonwealth of Massachusetts amended the Massachusetts Laws relating to Marine Fisheries and fish inspection in 1933 to require grading as follows:

Chapter 94, Section 74: All fresh fish before being offered for sale, placed in cold storage, salted or smoked, shall be graded as follows:

"Prime" fish in extra-fine condition.

"Superior" fish in suitable condition to stand shipment outside the Commonwealth for human consumption as fresh fish.

"Standard" fish in suitable condition for immediate human consumption as fresh fish.

All other fish are to be classed as refuse, shall be deemed unsuitable for human consumption, and may be used only for fish meal, fertilizer, and other non-food purposes.

NOTE: This refers only to swimming fish, not to shell fish.

Although the law is on the Statute Book the actual grading of fish in Massachusetts is in abeyance pending a decision as to whether the authority to grade lies with the Division of Markets or the Department of Agriculture or the State Department of Conservation, Division of Fish and Game.

Grade definitions of the Massachusetts type are of doubtful value. The term "Extra fine condition" is hardly more descriptive than the term "Prime". In the case of the "Superior" and "Standard" grades, the definitions are based on the keeping quality of the fish as indicated by their condition at the time of grading. The question of whether or not fish are fit to be shipped, or must be consumed immediately, involves some variable and indeterminate factors, the use of which casts serious doubt on the value of such a consideration in the establishment of a grade. More accurate grade descriptions, in terms of measurable characteristics, would furnish a far better basis for grading.

## (2) Virginia

Grading has been carried on voluntarily by all packers of salt cured fish in the state of Virginia for the past year. The grading of shad, croakers, trout and butterfish has also been carried on voluntarily by a large section of the fishery industry. The work was done by the Division of Markets of the Department of Agriculture and Immigration with the consent of the U. S. Commissioner of Fisheries and the Governor of Virginia. A bill to authorize similar grading for all fish and fishery products in the state, introduced into the legislature this past winter, was passed by the Senate but was killed in the House Committee for what were apparently political reasons.

Grading is being continued on a voluntary basis by the great majority of the packers of salt cured fish and a section of the rest of the industry

(a) Tentative Grades for Virginia Brine or Salt Cured Salt Water Fish  
(Accepted voluntarily by 90 per cent of Virginia packers)

Virginia No. 1 shall consist of fish of one species, taken before spawning, fresh when curing begun, well drained, bright, free from rust, of a sweet, wholesome odor, thoroughly cured, with 90% of scales removed and free from damage from any cause. All clipped roe fish shall have the heads properly removed. All roe fish shall have a fairly developed roe.

All clipped fish shall be thoroughly cleaned and washed before curing begins.

Virginia Selects shall consist of fish that meet all the grade and packing requirements of Virginia No. 1 and in addition shall, when clipped, have all membrane and blood removed from under the main bone.

Herring

Pack: When packed in barrels herring shall be tightly packed with a circular pack and contain not less than 160 pounds of fish and 40 pounds of salt and have a count of not less than 650 and be not smaller than fish of this count when packed in other containers. The maximum and minimum count shall be plainly marked on the outside, and this maximum and minimum shall not have a spread of greater than 50. Other packs shall contain the same proportions of fish and salt and have a proportionate spread.

Size: Clipped herring shall not be less than 6 inches in length and whole herring 7-1/2 inches.

Tolerance: In order to allow for variations incident to proper handling and packing in each of the foregoing grades, not more than 5%, by weight, of the fish in any one container shall consist of fish that have spawned, not more than 2%, by weight, shall consist of fish not properly cleaned when clipped, and not more than 3%, by weight, shall be allowed for fish that fail to meet the remaining requirements of the grades, but none of this shall be allowed for fish not properly and thoroughly cured.

There shall be no tolerance allowed for count outside of the maximum and minimum marked on the package, nor for net weight of fish in each container.

Definition of terms. As used in these grades.

"Fresh" means that the fish have firm, elastic flesh that does not pit readily on pressure; that they have a sweet wholesome odor; that their gills have their characteristic red color; that their eyes be full, prominent and bright, and that the scales have their characteristic bright sheen.

"Free from damage" means that neither the appearance nor keeping quality of the fish shall be materially affected.

"Head properly removed" means that the head shall be so removed as to allow no leak of roe.

"Length" means the longitudinal distance between the center of the forward end of the fish and the junction of its body and tail.

It is strongly recommended that brine be used only once and that racks at least 6 inches high above the floor be used for draining the fish.

(b) Tentative Virginia Grades Accepted Voluntarily by Large Section of Fresh Fish Industry

Virginia No. 1 Salt Water shall consist of fish of one species, that are fresh, well fleshed, taken before spawning, and free from damage caused by parasites, disease, mechanical injury or other means.

Sex: Where sex is a factor of importance because of the presence or absence of roe, it shall be stated, and a fish of the opposite sex is to be considered as a defect. Where roe is a factor, it shall be well developed and in a hard, fine-grained condition.

Size: Size may be set by agreement between buyer and seller, in which case the specified size or sizes shall govern the inspection. Where the size is not specified, the following shall be the minimum weight for the species named:

<u>Shad</u>	<u>Croakers</u>	<u>Trout</u>
Roe $3\frac{1}{2}$ lbs.	Large 2 lbs.	Jumbo 4 lbs.
Buck 2 lbs.	Medium $\frac{1}{2}$ lb.	Large 2 lbs.
		Medium 1 lb.
		Pan 9 inches.
<u>Butterfish</u>	<u>Spot</u> $\frac{1}{2}$ lb.	
Large $\frac{1}{2}$ lb.		
Small $\frac{1}{4}$ lb.		

Tolerances: In order to allow for variations incident to proper grading and handling, not more than 5 per cent, by weight, of the fish in any one container may be below the prescribed minimum weight.

In addition, not more than 5 per cent, by weight, shall be below the remaining requirements of this grade, but none of this tolerance shall be allowed for tainted or decomposed fish.

Pack: it is suggested that no one package contain over 100 pounds of fish; that in warm weather the fish be packed in an equal weight of ice, and that individual wraps be given a trial.

Definition of terms: As used in these grades:

"Fresh means that the fish have firm, elastic flesh that does not pit readily on pressure; that they have a sweet, wholesome odor; that their gills have their characteristic red color; and their eyes be full, prominent and bright, and that the scales have their characteristic bright sheen.

"Well fleshed" means that the fish be in a plump condition that is characteristic of the species when taken at their best.

"Free from damage" means that neither the appearance nor keeping quality of the fish shall be materially affected.

#### IV. FEASIBILITY OF STANDARDS

A statement by Dr. A. S. Anderson, in the 26th Annual Report of the Fishery Board of Scotland for the year 1907, has become a classic in fisheries bibliography. It has been widely quoted in foreign language publications as well as in American fishery



reports, textbooks for students' use, etc. Dr. Anderson's statement follows:

"I am inclined to consider the following five tests as fairly reliable in giving comparatively trustworthy evidence as regards the condition of a fish:-

"1. The presence or absence of rigor mortis.

"2. The presence, degree of development of, or absence of, reddish discoloration on the ventral aspect of the backbone.

"3. The smell.

"4. The manner in which the flesh separates from the backbone.

"5. The appearance of the abdominal walls.

"1. So long as a fish is in the condition of rigor mortis it is a guarantee that it is perfectly fresh, since decomposition can only set in as rigor passes off; the ordinary tests for which, already enumerated, are--- degree of rigidity on handling and balancing, flesh firm and elastic and does not pit readily on pressure. The chemical changes in the muscle are also important --- acid during rigor, becoming alkaline as rigor passes off, and finally distinctly alkaline when decomposition has set in --- both to litmus paper. But since, under the most favorable conditions under which fish are treated, rigor mortis is of short duration, its absence is no guarantee that fish are not sufficiently fresh and not fit for human food.

"II. At this state the presence or absence of reddish discoloration on the ventral aspect is invaluable, and should always be looked for. If it is present, we know that the fish are certainly quite fresh. The time will probably be about 48 to 60 hours after capture or after handling. But even at this stage the fish may not be such as should be condemned as unfit for human food or for curing purposes. Yet, when one sees this discoloration fully developed, it should make one suspicious and more cautious as regards the condition and cause one to examine them more critically by further tests. Also, it has to be kept in mind that, to prevent this discoloration, an attempt is sometimes made to remove the large caudal vein along the gut.

"III. The sense of smell in the examination of fish is invaluable in spite of the difficulties already discussed. I have attempted to describe smell in terms of fresh, fishy, sea-weedy for one large class of fish; as fresh, fishy and oily in another large class of fish, and to contrast these with such terms in everyday use as tainted, stale, and putrid. Although one at the same time recognizes the different and relative degrees of development of the sense of smell, and consequently the difficulty of getting unanimity in different individuals of what constitutes these different terms, yet the test of smell is both a time-honored and a reliable standard. One will usually find that, as the red discoloration is appearing, the smell is passing from fresh to tainted and stale. The fish is now on the borderland, and one smells critically for an approaching putrid odor, when the fish should be at once condemned.

"IV. When a fish is fresh it required considerable pressure to strip the flesh from the backbone, and in doing so many tags of flesh are left adhering to the bone. As decomposition, and consequently softening, progresses, the flesh gradually strips off cleaner. Hence, when one finds that the flesh comes away readily and comparatively cleanly from the bone, or that the bone can be stripped readily and cleanly from the flesh, one may feel convinced that the fish are certainly not fresh, that decomposition, if not well advanced, has certainly commenced, and by this and other tests proposed one will feel warranted in condemning such fish.

"V. In examining the interior of the abdominal cavity one notes the condition of the kidney, situated anteriorly and ventral to the backbone. It is a very diffuse, vascular, and friable organ, and very rapidly breaks down, passing through different shades of color, to form a reddish-brown debris in from 24 to 48 hours, while the fish may be still quite fresh. But more important is the condition of the abdominal walls. If they are firm and elastic, with absence of discoloration and presence of fresh, characteristic smell, one may feel assured that the fish are fresh. On the other hand, if the walls are soft and pulpy, with apple-jelly-like appearance and presence of discoloration, with tainted odor, while the fish is becoming alkaline to litmus paper, then such fish require very careful consideration, and it will generally be found that, with other confirmatory evidence present, such fish should be condemned.

"Other common tests which should never be omitted are ---

"VI. The appearance of the Gills. -- The gills of most fish are red in color, with certain specific tints. These tints disappear in about from 24 to 36 hours, and the gills become grey and slimy by the third to fourth day. So long as the gills retain their natural color there is a strong presumption that the fish are fresh. But one has to keep in view that the gills often retain their characteristic color with little change--especially if washed daily in tap or, still more, sea water--even when the flesh is becoming putrid; that on the whole the gills of trawled fish are often paler at the time of capture than line fish, and more so the longer they have been in the trawl net; also that one finds degrees of paleness even among perfectly fresh fish.

"VII. The appearance of the Eye. -- The appearance of the eye should always be noted. The full and prominent eye, with jet-black pupil and transparent cornea, of the fresh fish presents a very decided contrast to the grey and shrunken eye of a fish four or five days after capture.

"VIII. The appearance of the Scales. One notes the absence or presence of characteristic sheen, the firmness or looseness of the scales, and if they rub off readily. If the scales present a patchy appearance, it indicates that the fish are probably trawled or have been roughly handled.

"IX. The General Appearance. -- In looking at a fish the appearance it presents often indicates whether it is a trawled or line fish. In the former the body region generally shows a battered and limp appearance, with often considerable extravasation of blood in the head region.

"From the above considerations, I venture to state that when---

1. Rigor mortis has passed off,
2. Reddish discoloration, fully developed as described,
3. Smell becoming tainted, passing to putrid.
4. Flesh strips off readily and cleanly from backbone.
5. Abdominal walls becoming soft and pulpy, with commencing apple-jelly-like appearance and with commencing discoloration and tainted odor,
6. Gills lost characteristic tint, becoming grey and slimy.

7. Eyes grey and shrunken.

such fish should unhesitatingly be condemned."

V. OPINION IN THE INDUSTRY IN SUPPORT OF GRADING.

Resolution adopted by the Herring Packers Association of Virginia in Meeting assembled February 16., 1934.

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Be it Resolved, first: That we urgently petition the Legislature of Virginia now in session to extend to the Seafood Industries of Virginia the same privileges and advantages of State Inspection, Grading and Certification as are now given producers of Agricultural Products.

Second: That since said Inspection is entirely voluntary on the part of the producers it cannot work any hardship on any branch of the State seafood industries.

Third: That the said Inspection work is entirely self sustaining and the State is not forced to be at any additional expense in extending the scope of its Inspection work.

Fourth: That Inspection of Salt Herring in Virginia during its operation has proved beneficial beyond doubt to this branch of the State Seafood Industry in that greater care was exercised in curing and packing by the producers. That the retail merchant was assured of a consistency as to cure, pack and count. That the consumer was reasonably assured of consistent quality as to the preparation of the fish and their cure. All of which aided in a much more satisfactory marketing of Salt Herring during the season when inspected.

Fifth: That the packers of Salt Herring have invested a considerable amount of money and time, that the State has put a great deal of time and effort in this work and it would be distressing to the Herring Packers to be deprived of these benefits at this time. We make this assertion because we know it is easy to prove that Inspection of our product has materially helped to re-establish a consumer demand for the better grade of Salt Herring that Inspection has helped produce.

Sixth: That we reiterate our request that the laws of our State be changed to permit the Seafood Industries to have the permission of the State to participate in this privilege.

STATEMENT BY MR. C. L. TODD, BUCKROE FISH COMPANY,  
CONSOLIDATED, BUCKROE BEACH, VIRGINIA, ON MAY 20,  
1933.

"In regards to the grading or standardizing of sea-foods, it has met with the hearty approval of our fishermen and we believe we have already seen results even though this year our pack has been unusually small and the quality has not been up to our usual standard.

We have received very few "cuts" in our fish this year, especially Shad and this I believe has been due to the inspection. The inspection is a step in the right direction and I hope and believe it will be given a further trial again next year."

RESOLUTION PASSED BY THE SEA FOOD DEALERS'  
ASSOCIATION INCORPORATED OF BALTIMORE ON  
JANUARY 29, 1934.

"The Members of the Sea Food Dealers Ass'n., Inc., unanimously agreed that the uniform grading of fish would be of great benefit to the Industry."

EXCERPT FROM LETTER OF MR. N. W. BROOME, DIVISION OF MARKETS, VIRGINIA DEPARTMENT OF AGRICULTURE AND IMMIGRATION, TO CONSUMERS' ADVISORY BOARD.

"We begun this work in the spring of 1933 - this being the first grading of fish in America as far as I know. We graded and inspected about 2000 100-lb boxes of fresh fish; and 20,909 160-lb. barrels of salt herring. The work on fresh fish was moderately successful and demonstrated the great need for national grades on these fish, because practically all of them go to other states and their condition changes so rapidly that there should be some provision made for inspecting in the terminal markets to check this condition, if the contents of the package is not satisfactory to the buyer, which would certainly happen in a small percentage of the shipments.



"The work on salt herring was a complete success. The packers put up a much better product which sold for a better price, and best of all, practically eliminated all licks from buyers and consumers - there having been only one barrel that went bad to the best of my knowledge.

"We plan further work on these products, hoping in time to deliver small packages of salt herring or individual fresh fish in some form of waterproof paper container, with the name and grade printed on the package so that the consumers will know exactly what they are buying.

"The only opposition we have had to this work apparently developed in the Fulton Fish Market of New York City."

EXCERPT FROM LETTER OF MR. G. P. HALFERTY OF  
G. P. HALFERTY AND COMPANY, SEATTLE, TO CON-  
SUMERS' ADVISORY BOARD, MARCH 26, 1934

"Insofar as it is possible and practical, I believe that there should be a statement on the can on the grade standard of the contents.

"In some items, however, that is not possible nor practical, and I am inclined to believe at the present time, that this statement applies to Canned Salmon.

"Under the Code, as proposed for the Canned Salmon Industry, the specie of the Salmon must be specified on the label. It does not, however, provide breaking down of grade standards for each species, and as indicated, I do not believe that it would be possible or practical at the present time, to go beyond the Code provision. My conclusion on this, is based on the fact that there has been no definite method devised for such break down in classification.

"Canned Clams should be classified as to specie, and the specie broken down as to Fancy, Choice and Standard Grades of each specie. The Clam Canning Industry is confronted with low-priced Canned Clams that are shipped in by the Japanese. These Clams, while a little different specie than we have here, nevertheless are sold as Canned Clams, and in a Chowder, are

used in the same manner as the American pack: -  
this all at cruel cost to the additional labor  
that could be employed in our American canneries."

MR. L. F. KENZIE, EXECUTIVE SECRETARY OF MIDWEST  
FISHERIES ASSOCIATION, CHICAGO, IN A LETTER TO  
THE CONSUMERS' ADVISORY BOARD STATES:

"As a matter of fact I do not see that it will do  
much good to grade fish at the producing point and  
I firmly believe that if inspections are made they  
should either be done at the wholesale establish-  
ments or at the retail establishments. However, we  
shall follow the methods of the National Fisheries  
Association as soon as these methods are worked out."

MR. E. H. CAPLIN, MANAGER OF THE MASSACHUSETTS  
FISHERIES ASSOCIATION, INCORPORATED, BOSTON,  
MASSACHUSETTS, IN A LETTER TO THE CONSUMERS'  
ADVISORY BOARD SAYS:

"We are heartily in favor of doing everything possible  
in the matter of studies and developments to improve  
the quality of our product."

#### VI. MANITOBA MAY ESTABLISH GRADES

In 1933 a Commission was appointed by the Manitoba Gov-  
ernment to investigate the Manitoba Fishing Industry. Its  
objects were stated to be:

1. Regulation of seasons during which fish can be  
taken and disposed of.
2. Provision for practical methods of handling fish  
to insure their reaching the market in satisfac-  
tory condition.

In the Commission's report recommendations are made in  
respect to cleanliness of fishing vessels and skiffs, boxes,  
containers, etc. and adequate supplies of ice. Licensing is  
recommended for the proper administration of fishing stations.  
Licensing of all cold storage firms is also recommended, and  
it is stated that no fish should be left in cold storage for  
more than 12 months. The Licensing of fish buyers and export-  
ers is further recommended. The report states:

"In regard to inspection and grading the Commis-  
sioners feel that it will be in the interest of

the Industry to work out an inspection and grading system voluntary or otherwise, which will raise standards of quality of fish and make this an asked for product among the American consumer public."

## SMOKED FISH AND SALTED FISH

The quality of smoked and salted product is not at present assured by any accepted standards. A standard for fresh fish should apply to all fish set aside for smoking or salting.

### B.

## CANNED FISH

### I. Standards, Grades, and Labels.

The canned fish industry is considerably more progressive than the fresh fish industry, and is held by the Bureau of Fisheries to be "the bright spot of the fisheries" in comparison with the conditions prevailing in the handling of fresh fish. Yet, various practices prevail in the canned fish industry which are detrimental to the consumer. The United States Bureau of Fisheries has continually called attention to these practices.

Canned Salmon: Cannery practice has been improved in recent years to a degree where decomposition of fish seldom if ever now takes place in the can, yet fish of various degrees of freshness undoubtedly are still put through the canning process. While the process itself renders such fish sterile, the quality of the product is naturally such that the consumer does not receive a satisfactory grade of product. A careful inspection of the salmon by the industry itself or by a duly appointed official at the canneries would obviate stale fish. Salmon canning which centers mainly in Alaska is carried on there during a short summer season by working crews, transported from the United States West Coast ports. The superintendent of a cannery attempts to fulfill a quota of a certain number of cases, in spite of the uncertainty of the catch in nearby waters from day to day. To keep the cannery working at capacity is possible only by accepting on certain days fish which have been brought from a distance or which may have been in the fishermen's boat for some time. Except at a few points, it is not the general practice to use ice in the handling of salmon in Alaska. Ice, in fact, is not available. The raw fish, con-

taminated from a dirty boat, may have developed bacterial flora to the extent of actual spoilage.

"Salmon flesh up to 24-48 hours after death in the summer contains few or no bacteria, hence if several million organisms per gram are found in canned salmon it is indicated that the fish were stale and decomposed before they were packed. Limits in the number of dead bacteria present in a canned product should be worked out." Excerpt from an unpublished report on Cannery Sanitation by the College of Fisheries, University of Washington.

The present grading of canned salmon under the code requires only that the species be marked on the can. An exception is made under the code for Chinook and Steelhead canned on the Columbia River. It is understood that a special trade, including a large export market, has been built up for Columbia River salmon under the Columbia River name, and the use of that term has therefore been permitted. Steelhead salmon is an unimportant factor in the canned fish industry, most of it being frozen for the export trade.

Canned salmon is ordinarily bought subject to examination by the broker or the broker's agents who examine a representative sample selected from all portions of the lot being sold. It is now also customary for brokers to send out samples. Both these customs have tended to improve the quality of the product, and have served to protect the wholesaler and the retailer. The information thus obtained is not carried through by an informative labeling to the consumer.

It has been pointed out by the Bureau of Fisheries that some grading and classifications have been worked out by the Association of Pacific Fisheries. Its program calls for examination and "report in detail on 2,267 different parcels of salmon, aggregating 4,000,000 cases" during the current year. Its intention is to assure packers that "only salmon in good condition would be shipped to consuming markets." The whole program is thus far in a rather tentative state, and submission of sample lots to the Association laboratories in Seattle is entirely voluntary.

Canned Tuna Fish. Conditions in the tuna fish industry, which centers in southern California, are on the whole good, according to officers of the Pure Food and Drug Administration. The fishing boats ply in semi-tropical waters but carry ice and are equipped with mechanical refrigeration to prevent the ice from melting. The fish, which are caught at sea in Southern Californian, Mexican and Central American waters, are canned at San Pedro and San Diego, generally under sanitary conditions by sound technical methods.

Two main types of spoilage may occur in tuna. A condition known as "honeycomb" appears during the cooking process at the cannery if deterioration has set in. Doubtful fish are therefore

bought from the fisherman "subject to cook", and the resultant cash loss to the fisherman makes the industry self-policing in this respect. "Scuring" of the fish occurs after preliminary cooking if there is prolonged delay before the canning process is completed. This condition in the can is easily determined by odor and taste, and resultant returns to the canneries have eradicated the abuse except in occasional cases.

Canned Shrimp. Conditions in the canned shrimp industry are such that the consumer is far less sure of a standard product than he is with respect to other canned fish. The National Canners Association, the research departments of the can making firms and the United States Bureau of Fisheries has made repeated efforts to assist this highly competitive industry to improve its product. The Food and Drug Administration has also used its influence to effect improved sanitation.

Shrimp are caught along the South Atlantic and Gulf coast from South Carolina to Texas but the great part of the canning industry centres at the ports of Mississippi and Louisiana. Packing in glass containers is done satisfactorily with a quality product at canneries at Fernandina, Florida, and to some extent at other points. The Gulf shrimp canneries are generally small units which operate as shrimp canneries in the summer time and as oyster canneries in the winter time. While the large fishing boats which collect from the smaller shrimp boats are equipped with ice, the small boats have no refrigerating facilities. The shrimp catch is frequently collected after decomposition has started. Competitive conditions permit an extremely low standard. Improvements in sanitation and methods of handling during the canning process are needed. It is believed this will do much to raise low standards now prevalent.

Canned Mackerel. Mackerel canning is a small but growing industry, centering on the West coast. The canned product competes with the cheap grades of canned salmon. Complaints have frequently been made by salmon packers that illustrations of salmon have appeared on the labels of mackerel cans, and that other methods have been made to simulate the appearance of a canned salmon container. Another practice with which the Food and Drug Administration has dealt has been to use a deceptive brand name, such as King Solomon, in which the words "Solomon" in large letters and the word "mackerel" in considerably smaller letters tend to give the impression that the product is salmon.

Canned Sardines. California sardines, (pilchards), caught in Californian waters by Japanese and Italian fishermen, are usually canned within a few miles of the place where they are



caught. Cannery practice is efficient and has improved in sanitation of recent years though further improvement should be brought about. Fat fish, when canned, improve in flavor and appearance with age. Thin fish become less appetizing in appearance. Crushed or bruised fish turn brown in the can, but this condition is not detrimental to health.

Maine sardines, until recent years frequently below standard, are now canned under rigid state inspection. For two recent seasons an epidemic among the fish caused a sharp decrease in the supply available for canning. But the size of the pack is now returning to normal proportions (Pure Food and Drug Administration).

Canned Clams and Oysters. Inadequate cleaning of the shucked shell fish may cause discoloration and an unappetizing appearance. Minced clams (canned chiefly on the Pacific Coast) are a product of good quality and well prepared under standard conditions.

Note: The research departments of the National Canners Association, the American Can Company and the Continental Can Company have done a great deal of work in the field of standard cannery practice, and a considerable amount on problems dealing with consumers. We presume that a good deal of this is immediately applicable throughout the industry.

## II. CANADIAN OPINION ON GRADING OF CANNED FISH

From a report on the Marketing of Canadian Fish and Fish Products made by Cockfield, Brown and Company, advertising agency of Montreal, for the Honorable E. N. Rhodes, Minister of Marine and Fisheries, Ottawa, Canada. (Grading is done by law in several Canadian provinces but has not been inaugurated by the Federal Government.)

"The most vital and apparent problems of every branch of the canned fish industry is that of supplying the market with identifiable and dependable goods of standard quality, grade for grade. All suggestions received, such as -- "better inspection", "rigid grading", "ruthless condemnation of sub-standard

packs" --- are so obvious as to deserve the criticism of 'begging the question'. It is freely admitted that they are worth while objectives, but no practical scheme was put forward for implementing them. The example of Japan in the merger of crab cannerys, under state encouragement and sponsorship, into a few powerful units, from which sub-standard fly-by-night packers are outlawed, may be ruthless, but it is certainly proving to be effective and worthy of serious consideration.

"It may have to be adopted, in its Canadian environment, into something which differs in form but adheres in principle, such for example as a "closed" association of reputable lobster cannerys, in which membership can be secured and retained only by obedience to rigid self-made and self-inspected rules --- with such tangible advantages as an association mark of readily identifiable character, below the brand of the individual packer, and supported by intensive education propaganda among the trade and the consuming public in domestic and external markets."

C.

#### WHAT HAPPENED IN THE CODE HEARING

The Fisheries Code was formulated by the National Fisheries Association and was handled in the A.A.A. until the New Year when the code came under the jurisdiction of the N.R.A.

In the informal hearing and at the conferences which took place before and after the formal hearing in December, a great effort was made by Mr. Leroy Peterson, representative, Consumers' Counsel, A.A.A., to have the following provision calling for grading included in the code, in the section dealing with Powers and Duties of the Code Authority.

"A survey by competent marketing specialists shall be undertaken immediately at the time that this code becomes effective to determine the specifications for tentative grades for fisheries products. This survey shall be completed within one year. Immediately upon the termination of this survey, tentative grades shall be established and shall become effective when promulgated by the

Secretary. The fishery industry of the United States hereby designates the United States Bureau of Fisheries to establish these grades and to carry out the provisions of this paragraph and hereby provides the funds for this service unless and until the Federal Government through act of Congress or otherwise provides the necessary funds."

Some change was made in the wording of the above.

Over Mr. Peterson's strong protest the following provision finally appeared in the proposed code as presented for public hearing;

"Article VIII. B. Powers and Duties of the National Code Authority.

(f) to encourage the distribution of strictly high quality products of the industry and otherwise to protect the consumer against inferior merchandise. The National Code Authority and the several Executive Committees shall investigate the feasibility and wisdom of establishing a proper system and agency for the grading of products of the industry for the four-fold purpose of benefiting the fishermen, stabilizing the industry, minimizing destructive price-cutting, and eliminating from the market not only immature and undersized fish and shellfish, but also all types of inferior and unwholesome products of the industry. The several Executive Committees shall formulate their recommendations resulting from such investigations, and on or before June 1, 1934, shall make a preliminary report of the same to the National Code Authority, which shall correlate the said recommendations in suitable form and, within a further period of thirty days, shall make recommendations accordingly to the Administrator."

Mr. Peterson objected to the above clause on several grounds. "To encourage the distribution of strictly high quality products" was, he claimed, a high sounding phrase with little meaning. "The National Code Authority and the several Executive Committees shall investigate the feasibility and wisdom of establishing a proper system and agency for the grading of products," was not sufficiently definite he said, and did not indicate acceptance of the principle of grading.

As members of this industry had been buying from fishermen on grades for more than forty years he could see no reason why more time should be wasted in studying the feasibility of the principle. Grading

experts of the Bureau of Fisheries were satisfied that grades were feasible. Mr. Peterson said, and he stated that opposition in the industry to grading was due to lack of vision, to general backwardness in marketing practice and in many cases to outright dishonesty in the sale of fish.

The Consumers' Counsel felt that the grades should be established in cooperation with the Bureau of Fisheries, which was the agency most competent to deal with grading. Consumers' Counsel would not disapprove of industry making the study on grading. Mr. Peterson said, providing the scope of the study and the personnel to be employed should be approved by the Bureau of Fisheries.

After the Fishery Code came under the jurisdiction of H.R.A., Mr. George Haddock, Consumers Adviser, made further objection to the standards provision of the code and suggested the following provision as a substitute for Article VIII, Division B, Section (f) which requires the Code Authority "to investigate the feasibility and wisdom of establishing a proper system and agency for the grading.....make recommendations accordingly to the Administrator".

"A survey by competent marketing specialists and technical fishery experts shall be undertaken immediately at the time that this code becomes effective, to determine the specifications for tentative grades for fishery products. This survey shall be completed within one year. Immediately upon the termination of this survey, tentative grades shall be established and shall become effective when promulgated by the Secretary. The fishery industry of the United States hereby designates the United States Bureau of Fisheries to establish these grades and carry out the provisions of this paragraph, and hereby provides the funds for this service unless and until the Federal Government through Act of Congress or otherwise provides the necessary funds."

Objecting to the provision which is now in the code he said in a report to the Acting Deputy Administrator, Mr. R. E. Fiedler, on January 25, 1934:

"There is nothing in this code to compel or authorize the industry to establish or formulate any proposed marketing grades or standards, or even to formulate and recommend such grades and standards as are deemed 'feasible and wise'. This provision apparently gives the industry an additional six months to decide whether or not it wishes to establish marketing grades or standards.

"We advise the inclusion of a phrase requiring the industry to proceed with the formulation of recommendations for the establishment of such grades and standards as are wise and feasible. We also believe the industry should invite the cooperation and assis-

tance of the U. S. Bureau of Fisheries in its investigations and formulations of its standards.

At the public hearing on the proposed code, Mr. Charles E. Jackson, Deputy Administrator, U. S. Bureau of Fisheries, made the following statement:

".....there exists a situation where an industry worth several hundred million dollars to the economic structure of the nation collects little information on market conditions; little attention has been directed toward developing a standardized quality product, and at times resources of this industry have been exploited in an unregulated and undirected manner.

"The fishing industry has made little progress in establishing marketing grades by which to judge the quality of its product. Some have been developed for processed products, but as yet no great headway has been made for grading fresh or frozen fish. There is urgent need for the establishment of marketing grades for such fishery products. If this were done the industry would be materially benefited. Producers would be protected from fraudulent practices; the pack of non-perishable products undoubtedly could be more easily financed; fish of questionable quality would be kept off the market; and perhaps by means of adopting minimum size limits for some fish, or other means, the respective fisheries resources could thereby be better conserved to sustain production.

Opposition to the standards clause proposed by the Consumers' Counsel was voiced by Mr. Mayo Shattuck, representing the National Fisheries Association.

He said in part:

"The industry means what it says when it says that it intends to make this study within six months and to make a report. And I humbly submit that the industry which handles fish every day and not fishery statistics, is capable of deciding at least how it shall improve the quality and the freshness of its product. It may easily be that at the end of six months this industry will come in to you gentlemen and say 'We have studied this problem: it is too big for us as an industry alone: we think that the Bureau of Fisheries should do this thing'.....But we may say, as business men, and this is our code and our industry, 'We have studied grading: we think that the adoption of a schedule of grading for three hundred varieties of fish over thirty-two thousand miles of coast line, and the attempt to enforce it at the expense of this industry, is a thing that we cannot afford to pay



for in the way we have been asked to by the United States Government."

In response to questions from Assistant Deputy Administrator White, Mr. Shattuck said that the industry's refusal to accept the standards clause proffered by the Consumers Counsel was based on their refusal to accept the principle of grading, prior to an investigation into its feasibility. There was no doubt, he said, that the industry accepted the fact that the quality of fish on the market must be improved, but he could not say that grading would necessarily establish that.

Mr. N. W. Broome of the Division of Markets, Virginia Department of Agriculture and Immigration stated that the grading of fish was no more difficult than the grading of agricultural products. He had, with the Bureau of Fisheries, conducted a survey of several fishery centres, and had found that the majority of the wholesale dealers in Richmond, Norfolk, Baltimore, Washington, and Philadelphia were in favor of grading, while New York dealers were unanimously against it.

Dr. Harden F. Taylor, president of the Atlantic Coast Fisheries Company (the present Chairman of the Fishery Code Authority) spoke at length on the difficulties of establishing standards in the fisheries industries. He explained that in his opinion no more could be asked than was in the code, i.e., the commitment of the industry to the principle of first quality fish and to the duty of studying the possibility of establishing grade standards and applying them wherever and to the extent found practical. He pointed out the extreme difficulty of setting up inspections that would assure a quality product to the consumer, fish being such a perishable product.

The industry as a whole further objected to accepting the responsibility of the cost of grading without knowledge of what the expense might be; and there was a strong feeling in the industry that the fishery interests themselves were competent to set up standards, if standards were to be established.

The Code was approved on February 26, with the inclusion of a clause requiring that the Executive Committees, "shall in their recommendations include" "preliminary specifications for grading where grading has been found wise and feasible (Article VIII Title B., Section 1.f.)" following one of the suggestions offered by Mr. Haddock.

The Standards provision in the approved code now reads:

(Powers and Duties of the Code Authority)

(f) To encourage the distribution of strictly high quality products of the industry and otherwise to protect the consumer against inferior merchandise, the National Code Authority and the several Executive Committees shall investigate the feasibility and wisdom of establishing a proper system and agency for the grading of products of the industry for the fourfold purpose of benefiting the fishermen, stabilizing the industry, preventing destructive price-cutting, and eliminating from the market not only immature and undersized fish and shellfish, but also all types of inferior and unwholesome products of the industry. The several Executive Committees shall formulate their recommendations resulting from such investigations, including preliminary specifications for grading where grading has been found feasible and wise, and on or before August 1, 1934, shall make a preliminary report of the same to the National Code Authority, which shall correlate the said recommendations in suitable form and, within a further period of thirty days, shall make recommendations accordingly to the Administrator.

Various sub-divisions of the industry have formulated supplementary codes. In some cases the sub-division is organized on a geographical basis, such as the New England Fish and Shellfish Wholesaling Industry. In others the sub-division is organized on a functional basis, i.e., the Canned Salmon Industry.

The Fresh Oyster Industry supplementary code is the only one approved to date. It has the following standards provision:

FRESH OYSTERS (Supplemental Code)

"Article VI. A. Unfair Methods of Competition.

Section 1.

(g) Size Standards.--- To make quotations or sales (other than quotations and sales by fishermen) on any basis other than the following:

- (1) Fresh oyster meats. Atlantic oyster (ostrea

virginica):

Size A. "Counts" or extra large, counting less than 160 oysters per U.S. standard gallon.

Size B. "Extra selects" or large, counting 160 to 210 oysters per U.S. standard gallon.

Size C. "Selects" or medium, counting 211 to 270 oysters per U.S. standard gallon.

Size D. "Standards" or small, counting more than 270 oysters per U.S. standard gallon.

(2) Fresh oyster meats, Pacific States:

(a) Pacific oysters (*Ostrea gigas*):

Size A. Extra large, counting less than 90 oysters per U.S. standard gallon.

Size B. Large, counting 90 to 140 oysters per U.S. standard gallon.

Size C. Medium, counting 141 to 180 oysters per U.S. standard gallon.

Size D. Small, counting more than 180 oysters per U.S. standard gallon.

(b) Olympia or Native oysters (*Ostrea lurida*): No size standards.

(3) Market oysters packed and sold in the shell for consumption:

(a) Atlantic and Gulf States:

Size A. Large, counting less than 185 oysters per U.S. standard bushel.

Size B. Medium, counting 185 to 270 oysters per U.S. standard bushel.

Size C. Half shell, counting 271 to 350 oysters per U.S. standard bushel.

Size D. Small, counting more than 350 oysters per U.S. standard bushel.

(b) Pacific States, Pacific oyster (*Ostrea gigas*):

No size standards. Level U.S. standard bushel shall be the standard of measure. When sold in sack same shall be standard 24 inches by 36 inches. Shell stock shall be sold as run of the beds (mine run) and not by sizes.

(c) Pacific States, Olympia or Native oysters (*Ostrea lurida*): Same as provided in (b) for Pacific oysters except that the standard sack shall be 22 by 36 inches.

There are sixty-four sub-divisions of the fishery industry, each of which will, in time, bring in its own code

#### Recommendations

See Next Sheet

## RECOMMENDATIONS

1. A standing central coordinating committee, charged with the duty of studying and recommending quality, grading, packaging, shipping, and labeling systems for both fresh and canned fish of all varieties should be established immediately by the Code Authority. The central committee should (a) work out and be responsible for promulgation of and compliance with standards generally valid throughout all sections of the fishing industry, and should (b) act as advisor to and coordinator for separate standard committees for the several branches of the industry. These sub-committees should be established immediately upon the signing of their respective codes, and charged with the same duties as the central coordinating committee insofar as their codes are concerned.
2. The central coordinating committee and each of the sub-committees should possess representatives of every interested party, including consumers and the Government. The consumer and Government representatives should be appointed by the Administrators, the latter represented by the Bureau of Fisheries, and the former the Consumers' Advisory Board.
3. The Central Coordinating Committee should make its report to the Fishery Code Authority within not more than six months after date of its appointment, the report to be made jointly to the Code Authority and the Administrator. There should be the right of minority report, and it should be an established principle that no standard or standards could be adopted which did not meet with the approval of the Bureau of Fisheries of the United States Department of Commerce. The same rule should be valid for each of the sub-committees except that in each case the central coordinating committee should act as a forwarding and coordinating agent. For this purpose there should be a representative of the central coordinating committee on each of the sub-committees. Standards recommended, following adequate review by interested and technical opinion, should be adopted by the Code Authority and made mandatory upon the industry.
4. Each committee's recommendations should provide for an inspection service, inspection to be allocated to and carried out by the Bureau of Fisheries. Cases of violation for non-compliance with the standards and grading rules should be handled through the regular NRA compliance procedure.

5. The status of the central coordinating committee and the separate sub-committees should be utilized for the purpose of redrafting, rephrasing, reworking standards in accordance with the exigencies of economic changes and technical developments.

April 11, 1934.



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FEDERAL BUREAU OF INVESTIGATION  
U. S. DEPARTMENT OF JUSTICE

Nov 11

REPORT OF THE CONSUMERS' ADVISORY BOARD  
OF THE N.R.A.  
RECOMMENDING STANDARDS FOR THE  
DRY CLEANING INDUSTRY

Report Number 4.

April 15, 1934

## CONSUMERS AND STANDARDS IN DRY CLEANING

Dry cleaning is an industry which stands in a unique position in relation to the public. It takes complete custody of the consumers' property which is intrusted to its care. Much of this property is very valuable. The industry performs a service upon it while the customer is not present.

Under these circumstances, there is an imperative need that the public be definitely informed as to what service is given in exchange for the prices charged. Unfortunately from the standpoint both of the public and the reputable plant, no standards have been adopted by this industry, and in fact there is no agreement in practice among the members thereof, even as to the definition of the service.

The situation is chaotic. Cleaning establishments vary from hole-in-the-walls with no skilled workers and practically no equipment up to plants representing hundreds of thousands of dollars in investment, each department of which is well equipped with modern machinery and is adequately manned with skilled workers. At the lower end of the quality scale, both in large and small plants, the so-called cleaning may be done and often is done by merely giving the garment a hasty rinse in rancid, dirty solvent and a casual press. In large plants, this may be part of a "mass production" situation with careless, unskilled workmanship throughout. At the other end of the quality scale, the garment may be given thorough cleaning and proper finishing. Both of these services and all the variety of practices in between are sold to the public under the one undefined term "a dry cleaning job."

Unfortunately the consumer has no means of measuring these different services. What goes on behind the front office of a plant is an unknown mystery to the public and since the majority of garments sent to cleaners are dark, the consumer has no accurate way of judging whether or not they have been properly handled.

This lack of even a minimum standard for cleaning services becomes more pernicious when minimum prices, such as have been established under the Code are widely used. Obviously the costs of the many prevailing different grades of service vary a great deal, and yet the consumer is placed in the position of paying a definite price for a varying and undefined service. This works a grossly unfair hardship on the consumer, and is a strong contributing factor in the great recent increase in the hazardous practice of home dry cleaning.

Dry cleaning is a service for which definite and clear-cut grade specifications can be written. Good usable standards have been developed by research agencies, tested in plants, examined and recommended to the industry by the standards committee appointed under the code. There remains only adoption by the Code Authority. The recommendations made herein by the Consumers' Advisory Board call for revision of the code for this industry to achieve adoption of these standards by the Code Authority, and for compliance with the standards adopted thereafter.

(This report was circulated in draft form to a number of well recognized authorities in the field in question, and, in its present form, represents, in the opinion of the Consumers' Advisory Board, a condensation, collation, and summarization of the best and most impartial technical, and consumer fact and opinion available.)

RECOMMENDATIONS FROM THE CONSUMERS' ADVISORY BOARD  
OF THE NRA  
FOR  
REVISION OF PARAGRAPH F, SECTION 3, OF ARTICLE VI  
OF THE CODE OF FAIR COMPETITION FOR THE CLEANING  
AND DYEING TRADE

WITH REFERENCE TO  
STANDARDS OF QUALITY AND WORKMANSHIP FOR DRY CLEANING

(The cleaning and dyeing trade has made provision under its code for the establishment of "minimum standards of quality for each of the several types of service performed." To date action on the recommendations of its own committee has been kept in abeyance, and for this reason consumers continue to be victimized by unfair shops thru practices such as the use of dirty solvents, elimination of the spotting process, and complete elimination of washing in solvents.)

Paragraph (f), Section 3, Article VI, of the Code, signed Nov. 8, 1933, lists amongst the "further powers and duties" of the Code Authority, the obligation:

"To adopt and prescribe minimum standards of quality for each of the several types of service performed by the cleaning and dyeing trade, and, to this end, to cooperate with a committee to be selected by the following method:

1. One (1) active member of the National Association of Dyers and Cleaners shall be appointed by the Board of Directors of that association.

2. One (1) person shall be appointed by the American Home Economics Association.

3. One (1) technician (who may be selected from without the trade, preferably from the United States Bureau of Standards) shall be agreed upon by the (2) persons appointed under the preceding two (2) subparagraphs or, in the event they fail to agree, by the Administrator."

I. The Dry Cleaning Process.

The service sold under the name of "dry cleaning" varies greatly. It is, in fact, an undefined, as well as an unstandardized service. Most reputable dry cleaners agree that it should consist of the following treatment of the articles to be cleaned:

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\*Terms such as "French cleaning," "French dry cleaning," and "Steam cleaning" have been used synonymously with "dry cleaning" but are gradually becoming obsolete.

1. Sorting as to material, color, and condition.
2. Removing ornaments which might be injured by the cleaning; and brushing out cuffs of trousers and pockets.
3. Agitating in a mechanical washer containing clean, dry cleaning solvent such as naphtha, benzine or carbon tetrachloride, together with a partially saponified soap known as "benzine soap" which forms an emulsion in the solvent. This is continued until the articles are freed from grease stains and all soil removable by this type of solvent. Since cost prohibits the use of fresh solvent for each load, the used solvent is cleaned (clarified) by distillation or by one of various systems in which the dirt and water which collect in the solvent are removed by centrifugal or chemical means.
4. Rinsing in clear, clean solvent.
5. Removing excess solvent by a centrifugal extractor.
6. Drying in a heated, ventilated "tumbler" or, when the garments are such that the "tumbling" would harm them, drying in a heated, well ventilated drying room.
7. Spotting. A skilled spotter removes stains which have not been removed by the dry cleaning solvent. Some of these can be removed by water (water soluble stains); others must be treated with specific chemicals. This work therefore requires the ability to identify stains, a knowledge of the chemicals best suited for removing each type and manipulative skill in avoiding damage to the fabric or the formation of rings.
8. Finishing. Plain garments and articles are pressed on machines. Hand pressing is necessary for linings and for all or portions of fancy garments.
9. Repairs and replacements of ornaments.
10. Special processes and finishes are used in such cases as the finishing of furs and velvets, and in stretching or shrinking garments to their original size. The "wet-cleaning" department of a good dry cleaning plant does careful washing of articles which cannot be properly cleaned by dry cleaning solvents. Sometimes special treatments are given to lessen color fading or produce special finishes.

## II. Quality Chiseling in Dry Cleaning.

Since the service is undefined and the members of the industry have never agreed upon standards for their product, any of the procedures enumerated above may be, and are, reduced or eliminated by cleaners wishing to cut costs and willing to degrade their service. The results are still sold under the name "dry cleaning" to the unsuspecting public.

The solvent may be used over and over again without clarification or without proper clarification; the soap may be omitted; the time in the washer reduced; or the washing in solvent entirely omitted and nothing but a hasty sponging and pressing given the garment.

The spotting may be eliminated or done by unskilled persons. Since skilled spotters command higher wages than other employees, this is one of the first ways plants cheat their customers.

The pressing may be reduced to machine pressing only and this done hastily.

This degradation of the quality of the dry-cleaning service is frankly admitted by members of the industry in their criticisms of the "other fellow."

A typical example is offered by a trade journal which contained the following, even in the prosperous days of 1929 before there was supposed to be the recent urge for cutting costs:

".....if the public.....pays less to cut rate concerns for cleaning, generally it gets little more than pressed garments in return." (See Cleaners and Dyers Review Jan. 1929, p. 113)

The difference in the quality of work of commercial plants is brought out in a report from the Dept. of Chemistry of Pennsylvania State College:

".....the check of home cleaning against commercial service as rendered by fifty of Pennsylvania's best plants showed not only a wide margin in favor of the professional cleaner, but also a considerable divergence in the quality of the work done by the commercial plants." (See The Nat'l Cleaner & Dyer 23(8):32 Aug. 1932.

## III. Effect of Unfair Trade Practices Resulting From Quality Chiseling.

The lack of standards in this industry is working a hardship both upon the public and the reputable plant owner. Consumers have no adequate means of checking the quality of dry cleaning work. Many of



the cheating methods now employed distribute the dirt out over the garment so that, especially in the case of dark garments, the customers cannot detect the fraud. As long as no definite information is available as to what they are receiving for their money, they must bargain on the basis of price only. The present situation has been summarized as follows:

"To a considerable extent the quality of the work of cleaning plants may vary from establishment to establishment without the customers of the poorer plant being aware of the variation. While the appearance of the work produced by a very unsanitary ill-equipped and poorly operated plant is likely to reflect the conditions in the establishment, these same conditions may prevail to a somewhat lesser degree without it being perceptible to the consumer.....

"Consumers are mislead, given inferior service and made the victims of the irresponsibility of some cleaners who do not deal fairly with matters involving damage claims....

"A reduction in rates during a time of business depression certainly need not carry with it any deterioration of quality or reliability. It is probably true that extremely low prices (reductions to say one-fourth of the standard price) can be made only if quality suffers. Yet with decreased costs and with the diminished return to management and capital which, in a competitive situation, is the normal and much-to-be-expected effect of a depression, the former quality of work could be produced at much reduced rates...." (From an unpublished thesis by Morrison Handsaker.)

An example of the fraudulent practices possible under these circumstances is given below in an editorial "Signs of the times," National Cleaner and Dyer, March 1933, p. 22:

"One well-known dry cleaner bought two quarts of narcissus at \$9.00 the quart, cut it one ounce to the gallon of water, used it in the spray guns in finishing dresses, advertised as a superior finishing process, built business upon it at very low cost."

Various persons, both within and without the industry, have seen an incongruity in attempts to set a fixed minimum price upon such a variable service. For example, Justice John E. McGeehan of the Supreme Court of New York in denying an application by the Cleaners and Dyers Board of Trade of New York City for re-argument on an order restraining the Spotless Dollar Cleaners, Inc. from cleaning suits and dresses for less than 75 cents, the price set for that trading area

under the authority of the code of the cleaning and dyeing industry, recently included the following in his decision:

"Stripped of its camouflage the effort of the plaintiffs is to drive defendants out of business, for the facts and argument of plaintiffs conclusively prove that the patrons will not accept the meagre service of defendants, if they can get the much better service offered by plaintiffs at the same price. These services are distinctly different. I deliberately overrule the finding that they are the same. If this law means that NRA has the power to compel a man whose service is worth 40 cents to charge 75 cents for it, so that his customers will leave him and deal with his competitor whose service is worth 75 cents, then it is unconstitutional. It is not unconstitutional because that is not what it means." (See: Cleaners and Dyers Board of Trade, Inc. et Al. vs. Spotless Dollar Cleaners, Inc.; N. Y. Sup. Ct., New York County, Febr. 19, 1934. On re-argument.

Mr. H. Arthur Heinze, a past president of the National Association of Cleaners and Dyers, in an article "What price cleaning?" (See The National Cleaner and Dyer 25(3):23-24, 58. March 1934) makes the following comment on this decision:

"Now cleaners, digest that decision. This judge says that if your job is worth only fifty cents you cannot be compelled to charge 75 cents or \$1.00 for it. In other words, the public is still entitled to one hundred cents worth for every dollar. The President of the United States said:

'If we ask our trade groups to do that which exposes their business, as never before, to undermining by members who are unwilling to do their parts, we must guard those who play the game for the general good, against those who may seek selfish gains from the unselfishness of others.'

"This statement of the President might seem to indicate that the government that permits you to fix prices will guard and protect you against competitors. But, according to legal decisions, the government will only protect you when it appears that your competitor, in selling at a price less than yours, is giving value equal to yours. Then, and only then, can he be looked upon as a price cutter.

"The developments so far go to prove that it is impossible to fix and maintain a certain price for anything until you have fixed, at the same time, certain minimum standards of quality and performance that may be accepted as commensurate in value with the price fixed. Cleaners were apparently in a hurry to raise prices without giving any assurance of delivering a corresponding full value.

"It is not accepted as a display of the highest principle, on the part of a cleaner who does a 'bang-up' first class job, to compel a competitor to charge an equal price of an inferior job."

The Consumers' Advisory Board is opposed to price fixing in the absence of clear evidence of its absolute necessity as a factor of stability and for the protection of the consuming public. The need for price fixing has not been shown in this industry, but the need for quality determination is paramount. Without this factor price and all price comparisons are meaningless, and stated prices become little more than protective coloration for the unscrupulous and the chiseler.

#### IV. Standards Extant.

Standards are discussed in the meetings of the National Assoc. of Dyers and Cleaners and of state organizations from time to time but with no tangible results. The following is an example of announcements of such activities. To date no standards have been adopted by this or any other state association.

"The matter of establishing a standard of dry cleaning throughout the state to be adhered to by a selective-membership group of cleaners whose work conforms to these standards. .... were the leading topics of discussion at the annual convention of the Wisconsin State Association of Cleaners & Dyers held Nov. 14 ..... in Milwaukee." (See "Wisconsin cleaners convene at Milwaukee." The National Cleaner and Dyer, Vol. 23, (12); 40.)

Methods of measuring the service sold by the industry have been investigated by the National Assoc. Institute of Dyeing and Cleaning, maintained at Silver Spring by the National Assoc. of Dyers and Cleaners, by the Dept. of Chemistry, Pennsylvania State College, under the direction of Dr. Pauline Beery Mack, and by the Textile Section of the United States Bureau of Standards, under the direct supervision of Mr. W. D. Appel. These researches resulted in the development of methods of determining the efficacy of the cleaning processes used in various plants, (1) by colorimetric measurements of solvents used to rerinse the finished garment, and (2) by spectrophotometric measurements of the soil removed by the cleaning process from samples containing standard amounts of soil. On the basis of the above, a scale of cleaning efficiencies has been developed. A recent survey made by the Dept. of Chemistry, Pennsylvania State College disclosed that the work of representative plants rated according to this scale, varied from class 1 to class 6. (See The Broadcast 2(1): 6-11. Jan. 1934.)

This study also showed that the consumer obtains a much better job on light colored woollens than on the dark ones, on which he is less able to judge the degree of cleanliness.

The purpose of all this research was to establish definite specifications for a high standard of service to be offered by so-called "certified plants" and also to set up specifications for a minimum standard which would define the service offered by all plants. However,

no significant progress has been made in the adoption of these or any other standards by the industry.

Research carried out by the Pennsylvania State College has resulted in the development of a method of applying a uniform soiling mixture to entire garments, as well as special spots and stains to various parts of the garment, thus enabling such test garments after having been sent through a plant as customers work to be rated on the basis of: (1) General Cleaning (2) Spotting, and (3) Finishing.

(a) Federal Trade Commission: The nearest approach any portion of the trade has made to the acceptance of standards lies in the trade practice rules set up by the cleaners of the District of Columbia and of Pennsylvania under the sponsorship of the Federal Trade Commission and published by the Commission in 1933 and 1934, respectively. However, in these agreements, the clauses relating to standards were included in the "Group II" rules. In the trade practice rules of the Federal Trade Commission, "Group I" rules express unfair methods of competition, within the meaning of the Federal Trade Commission Act, while "Group II" rules condemn uneconomic and wasteful practices. The Commission ordinarily does not attempt to enforce "Group II" rules. They are merely for the guidance of the industry if the members see fit to adhere to them voluntarily.

The trade practice rule adopted by the dry cleaning and dyeing industry for the District of Columbia and vicinity was approved and published by the Commission March 24, 1933. This includes under "Group II" rules, the clause quoted below:

"RULE A. The following specifications, or their equivalents, are recommended by the industry as minimum standards for 'dry cleaning':

"Cleaning: That any article or articles represented as dry cleaned shall not, if rerinsed in water-white solvent (1 gallon to 1 pound of garment-weight), show sufficient soil residue to darken the dry solvent below 15 Saybolt chromometer.

"Finishing: That any article or articles represented as finished dry cleaning shall be free from solvent or chemical odors and restored to original hue and shape, with all spots and/or stains removed, except those chemically determined as

insoluble without injury to the color or fabric, with the original shape, dimensions, and contour of the article restored as nearly as possible, and with no damage to fabric finished: Provided, that damage resulting from and traceable to the metal weighting of silk, carbonization, or other defects of material shall not be considered faulty or defective dry cleaning. (See "Trade practice conferences, June 30, 1933." U. S. Federal Trade Commission, p. 156. 1933.)

The following provisions are included in the "Group II" rules adopted by the industry of Pennsylvania and adjacent territory and approved by the Commission in 1934:

"Rule A. The following specifications, or their equivalents, are recommended by the industry as minimum standards for 'dry cleaning':

"CLEANING: That any article or articles represented as being dry-cleaned shall have been initially immersed and washed in approved volatile safety solvent, extracted and dried so that if re-rinsed in water-white solvent in the ratio of one gallon to one pound garment weight shall not show sufficient soil residue to darken the water-white solvent below 15 Saybolt Colorimeter test.

"FINISHING: That any article or articles represented to be dry cleaned shall be free from solvent or chemical odors, with all spots and stains removed, except those chemically determined as insoluble, without injury to the color or the fabric, with the shape, dimensions, and contour of the article restored as nearly as possible to the condition in which the garment was received.

"Provided, that damage resulting from the traceable to the metal weighting of silk, carbonization, or other defects of material, shall not be considered faulty or defective dry cleaning. (See "Cleaning and dyeing industry (Pennsylvania and Adjoining territory)". Statement by the Commission issued January 11, 1934. Mimeographed.)



(b) Certification Services. As a means of combating the competition of certain cleaners who, it is alleged, do poor quality work, some plants have inaugurated so-called "certified services" and in a few instances groups of cleaners have formed "certified" organizations, adopted insignia, and pooled their advertising. This would indicate a trend toward the establishment of standards for different grades of service. However, only meaningless superlatives such as "Superior," and "Quality Service," have appeared to date in the advertising and published articles describing the movement. An exception to this is the Code of Ethics of the Dry Cleaners and Dyers Institute of Minnesota, as stated in an anonymous article entitled "The plan of certification in successful operation by Dry Cleaners and Dyers Institute of Minnesota" published in The National Cleaner and Dyer 23 (4): 24-32. April 1932. This Code of Ethics includes the following clauses:

"1. That all dry cleaning sold to the public shall conform to the following minimum standards.

"2. Cleaning - That any article or articles entrusted to an Institute plant for dry cleaning shall be cleaned and rinsed in water white solvent.

"3. Drying - That all garments shall be dried in a specially constructed dry room or cabinet with a constant circulation of warm fresh air not over 130° Fahrenheit. Out-of-door drying is prohibited.

"4. Spotting - That all spots or stains remaining in the garment after dry cleaning shall be removed if possible without danger to the color or material by a SPOTTER (mechanic who has served a three year apprenticeship.

"5. Pressing - That all garments and household goods shall be machine, steam or hand pressed under the supervision of an expert fore-lady whose experience shall be not less than five years.

"6. Inspection - That all Institute plants employ an inspector or inspectors who shall pass on all garments to be delivered as a finished job.

"7. Service - That good and efficient service shall be maintained at all times consistent with quality work."---(ibid, P. 31-32)

(c) Multiple-Price Services. The two- and three-price services constitute another development in the industry during the past few years which held promise of the establishment of standards. If different priced services were to be offered the public the writing of specifi-

cations for each of these would be a logical consequence. However, to date these services have been given meaningless names which do not describe or define them and the descriptions given in the trade publications show a lack of uniformity and a vagueness as to details which indicate the absence of standards.

The situation is somewhat apparent from the following trade paper announcement:

"A concession was made to the price buyers by the announcement of an 'economy service' at 90 cents for a suit or a dress.....

"True the new finishes were given a confusing variety of names, depending upon the degree of individualism which it was felt necessary to express. One called it Vitalex; another Miratex; others coined new words from their names, such as 'Jonestex,' 'Unitex,' 'Archtex' and 'Whostex.'" (See "Cleveland leads the way" Anonymous. The National Cleaner and Dyer 24(4):20. April 1933)

In some cases the same name has been used to designate different priced services by different cleaners, as shown by the following quotation from the column "You'll find the answer here," The National Cleaner and Dyer 23(12):25. Dec. 1932.

"[Question.] One thing we are puzzled about is to choose the right names to designate the different services. What we want is a name for each service that will as nearly as possible make clear just what that service really is."

"[Answer.] ..... 'Regular', 'Superior', 'Preffo', 'Standard', 'DeLuxe', 'Thoro-Kleen', 'Special', have been used for the higher price.

"'Economy', 'Thrift-Kleen', 'Standard', 'Secco', are among those used for the second price.

"'Depression', 'Thrift', 'Cut-Rate', 'Economy', 'Ekonomy-Kleen', are used for the lowest-price service.

"('Thoro-Kleen', 'Preffo', 'Thrift-Kleen', 'Secco', 'Ekonomy-Kleen' we are advised, are copyrighted.)

"It will be noted that the same name has been used by different cleaners to designate different services."

The policy of evasion as far as information to the customer is concerned, is clearly shown in another answer in the same column: (ibid, p.18)

"(Question.) How are we to justify the difference in price between the higher and the lower-price services from the standpoint of the customer?"

"(Answer.) Frankly, we believe this bugaboo exists to a far greater degree in the thought of most cleaners than in his customers and prospects. Without doubt it will be found that most economy-service buyers are not going to bother their heads about that point at all except possibly to satisfy a little curiosity. How many customers, seeing three or four different-priced coffees on display in a grocery, are going to ask for an explanation of the difference between the brands?....

"In our opinion, the less said on this point, voluntarily, in advertising or direct customer contact, the better."

Even in the few printed statements in regard to the actual practices in these services, the details of the service sold the consumers are vague and inconsistent. The following was included in a printed address given before the Texas State Association of Dry Cleaners by Dan A. Burton, Executive Head of the Tulsa (Okla.) group of Triple-Way Cleaners, a group organized for a multiple-price plan service. (See) "Facts and figures on the three-price plan. A Tulsa cleaner tells the tale." The National Cleaner & Dyer 23(12): 33-34 Dec. 1932)

"Next, as to how Three-Price cleaning is handled to our plant (The Barnes-Manley). We use the letters A, B and C to distinguish the three services. A is for the top price, best cleaning and pressing service - Thoro-Kleen. B is for our middle-price, Thrift-Kleen. C is for our Economy-Kleen, our bottom-price. When the routeman picks up the order, he marks the ticket with one of the letters, according to the service the customer wants.

"At the marking-in table the three services are separated: Thoro-Kleen in one basket, Thrift-Kleen in another, Economy-Kleen in still another basket. Thrift-Kleen and Thoro-Kleen go through the cleaning room together, then are brought back to the inspection table for repairs, where they are separated, Thoro-Kleen by itself and Thrift-Kleen in another pile. ....

"Economy-Kleen (the low-price work) in the most of our plants is cleaned in a load by itself, and taken from the cleaning room direct to the press tables, and is pressed after the other two services have been completed and are ready for delivery. We are now giving one-day service on our low-price or Economy-Kleen plan just the same as we do on the other two services. ....

"We advertise that pressing on Ekonomy Service will be done by machine only. Spots that are not soluble by naptha or water will not be removed on the Ekonomy-Kleen plan. You will note that the Ekonomy-Kleen service only carries the plain articles that ruinous, cut-price competition could build their volume of business with."

Another Tulsa plan describes three services; namely, "Standard", "Regular", and "Economy" the lowest of "Economy" service is said to receive the same cleaning as the other services. "The finishing, however, is done by machine only." (See "Tulsa tickled with three-price trial." The National Cleaner & Dyer 23 (9):30. Sept. 1932).

A staff writer of the National Cleaner & Dyer attempted to differentiate between two of these differently priced services as follows:

"The difference between standard and economy, generally speaking, is in the work done(or left undone) following the actual dry cleaning. Both standard and economy work is thoroughly dry cleaned by the same processes. However, in 'economy' cleaning trouser cuffs are not turned down to brush out dirt and lint, nor is hand-brushing done on badly soiled men's or women's garments. In fact, 'hard jobs' are refused for economy. The difference in other operations generally is as follows:

"Spotting - In economy work the spotting is limited to the comparatively easily removable, water-soluble spots and stains. Articles containing ink, blood, paint and many of the less common of the more difficult stains, especially when prominent, are refused for economy service. ....

"Finishing - Pressing of men's garments is exclusively by machine, and the work is put through at greater speed; however, though eliminating some of the finer touches of machine pressing, the work should be well done. Linings are not hand-ironed. Finishing of women's wool garments is done by machine with hand-pressing of places not reached by machine pressing. Linings of coats are not hand pressed. Finishing of silk dresses should be good, but without the special attention given to standard-price service. Since only plain dresses are accepted for economy service, the finishing time is short. ....

"Employees - ..... Of course, the best spotters and finitshers would handle the standard service work, especially all the difficult spotting and the fine finishing. Good use can be made of the less experienced and cheaper help on the economy work.

"Garment insurance -- In economy service, insurance liability is limited to an amount not exceeding \$25.00. Also responsibility for lost or damaged articles should be limited." (See the National Cleaner & Dyer 23(10):29. Oct. 1932).

Another description of the two-price system is given below:

"The utmost care is taken at the plant to insure the customer a really high-grade piece of workmanship on every garment. Suit linings are pressed by hand, cuffs and seams are brushed, ornaments are taken off and replaced at the plant and are checked very carefully to prevent loss and damage and any very difficult job is taken directly to the plant superintendent for his personal attention.....All the cheap work is handled in the same plant as the higher priced work. The two go through the same cleaning process. There the resemblance ends. Spotting is cut to a minimum on the work from 'B' stores; short cuts are used in finishing; linings of suits are not pressed (they give them a good tumbling to get lint out of the cuffs and seams and dresses do not get the same careful, painstaking attention.) In the 'A' stores, ornaments are taken off and replaced; and in the 'B' stores they are taken off in the stores and handed to the customer." (From "High, low, Jack in the branch store game" by W. H. Franks. The Drycleaner, Nov. 1930, p. 47).

#### V. Standards in the Code of the Dry-Cleaning Industry.

The code submitted by the code committee of the Industry to the National Recovery Administration August 23, 1933, contained the following clause:

"(b) as a protection to the consumer and to assure uniform standards of workmanship, the Board of Directors of the Association (at this stage, it was anticipated that this Board would serve as the Code Authority) shall also appoint a technical committee, composed of one active member of the National Association of Dyers and Cleaners, one technician, who may be selected from without the industry, preferably from the U. S. Bureau of Standards, and one representative of the American Home Economics Association. This committee shall have the power under the Recovery Executive Committee to prescribe minimum standards of quality for cleaning, finishing, and other processing." (See "Code of fair competition for the cleaning and dyeing industry as submitted on August 23, 1933." Section II-Administration, p. 2).

The Code, as approved by President Roosevelt on November 8, 1933, contains the clause reproduced on the first page of this report.

Also Article VII -- Trade Practices, includes among unfair trade practices:

"13. Selling Below Standard Quality -- The offering and/or



sale of any cleaning and/or dyeing service to the public, below the minimum standards of quality for such service prescribed by the Code Authority, pursuant to the provisions of Article VI, Section 3 (f), of this Code." (See "Code of fair competition for the cleaning and dyeing trade as approved on November 8, 1933 by President Roosevelt" Article VII - Trade Practices, 13, p. 10).

It will be noted that the power of the committee as specified in the code submitted was materially weakened in the final draft.

Unfortunately the appointment of this committee was delayed by the Code Authority until November 21, 1933, at which date minimum prices for dry cleaning had already been established. The members are Dr. H. E. Mechling, a plant owner of Louisville, Kentucky, representing the industry; Dr. Pauline Beery Mack, Professor of Textile Chemistry, Pennsylvania State College, representing the American Home Economics Association; and Dr. Warren E. Emley, Chief of the Organic and Fibrous Materials of the United States Bureau of Standards.

On December 10, a meeting of the committee, called by Doctor Mack, was held. Doctor Mechling promised to attend but did not arrive. The Industry was unofficially represented by Mr. George Gaubatz. Work which had been done on standards was discussed and the results correlated into a report. A set-up for policing the standards was agreed to, requiring additional personnel and equipment for the Industry's laboratory at Silver Springs, Maryland.

At the Hearing on prices and Code Violations for the Cleaning and Dyeing Industry held December 11, 1933, Administrator A. D. Whiteside presiding, Doctor Emley presented the report of the committee. Doctor Mechling had arrived in time that morning to approve it. This report is incorporated in the records of the hearing, and reads as follows:

"The Code under which this Industry is operating gives permission to the Code Authority to set up a technical committee to advise it in regard to standards of quality for the cleaning industry.

"I have the honor to present to you the first report of this Committee.

"The committee recognizes the need for four types of standards for this industry: (1) A method for measuring the detergent efficiency of the dry-cleaning process. (2) A method for measuring the present cleanliness of a garment which has allegedly been cleaned. (3) A test to fix the blame for spots left on a garment after cleaning. (4) A test to prove whether or not the garment has been finished properly after cleaning.

"The three members of the committee have developed independently three methods of measuring detergent efficiently. After careful consideration, one of these methods has been adopted unanimously and without change. This method has been in satisfactory service for more than two years on a commercial scale, and is the only one of the three which the consumer has actively participated in formulating. A detailed description of this method is attached hereto. It consists briefly in sending samples of unsoiled cloth and cloth which has been soiled in the specified manner to the drycleaning plant under examination, having them both cleaned by the regular process, and returned to the laboratory, where the amount of light reflected from the samples is taken as a measure of the extent to which the soiled sample has been cleaned and the unsoiled sample has been grayed.

"It is recommended that when tested by this method a plant may be said to have met the minimum standards, when, after cleaning, the soiled sample is found to rate not more soiled than class four, and the unsoiled sample not more soiled than class two.

"I have here specimens illustrating just what is meant by that, which I will submit herewith.

"A test method for measuring the present cleanliness of a garment which has allegedly been cleaned, has been developed, but the members of the committee have not yet had sufficient experience with it to justify the setting of numerical standards at this time. Work on this method is being continued under the supervision of the committee.

"We recommend that the cleaner be considered responsible for the presence of any spots on cleaned garments when the spots are of such a nature that they can be removed without damage to the fabric.

"We recommend that the cleaner be considered responsible for finishing a cleaned garment to its original shape, size, drape, and appearance, as nearly as possible, consistent with the nature of the fabric.

"We recommend that the Package Analysis Department of the National Association Institute of Dyeing and Cleaning, of Silver Springs, Maryland, be considered the official testing laboratory for carrying out the above four tests, and that they be authorized to charge a fee sufficient to cover the cost of the work. Appeal from their findings may be taken to this committee. The standards used in these tests will be maintained with the cooperation of the United States Bureau of Standards.

"The soiling mixture shall consist of -  
3 liters Carbon tetrachloride,  
8 grams carbon black of suitable particle size,  
150 cc. of heavy motor oil,  
150 grams Crisco.

"For every 120 grams of fabric -  
The fabric shall consist of white all-wool material  
selected by the committee.

"The efficiencies shall be based on a ten-class rating  
scale as measured in terms of percentage light reflectancy  
with the standard reference instrument, the classes to be  
divided as follows:

Class 1	100-90	per cent efficiency,
Class 2	89-80	" " "
Class 3	79-70	" " "
Class 4	69-60	" " "
Class 5	59-50	" " "
Class 6	49-40	" " "
Class 7	39-30	" " "
Class 8	29-20	" " "
Class 9	19-10	" " "
Class 10	9-0	" " "

"There is a very definite relationship between the quality  
of cleaning and the quality of the work, and if and when a  
Code Authority sees fit to adopt these recommended test methods,  
and thereby set a fixed level for the cleaning industry, that  
perhaps will affect the persons whom some of these gentlemen  
have been thinking about."

Division Administrator Whiteside. "May I just ask one or  
two small questions? I know very little about the techni-  
calities of it."

Dr. Emley. "Surely."

Division Administrator Whiteside. "To what extent are  
these tests now prevailing in this industry as a whole.  
Have you any idea?"

Dr. Emley. "In certain localities they have been in  
general use for a little over two years."

Division Administrator Whiteside. "You mean this one  
specific test?"

Dr. Emley. "This one specific test, yes. There is  
another method of testing which has been in more general use  
for not so long a time."

(Statement of Dr. Warren J. Emley, Chief of the Organic and Fibrous Materials of the United States Bureau of Standards at the Nat'l. Industrial Recovery Administration Hearing on Prices and Code Violations for the Cleaning and Dyeing Industry, pp/134-130, December 11, 1933.)

On December 17, a meeting attended by Mr. J. R. Ridley, President of the National Association of Dyers and Cleaners, Mr. W. J. Stoddard, President of the Nat'l. Assoc. Institute of Dyeing and Cleaning (operated as one of the activities of the National Association of Dyers and Cleaners), Mr. Gaubatz, and Doctor Emley was held to discuss the details involved in putting the standards into use. Mr. Ridley indicated that facilities for this would be provided. A later meeting was called by Dr. Emley and cancelled by the Chairman of the Cleaning and Dyeing Code Authority.

To date, the Industry has made no move toward providing the increased laboratory personnel and equipment which the committee recommended and will be required before standards of quality can be enforced. The Code Authority has not acted upon the Committee's Report.

As to the efficacy of the standards and test methods recommended by the committee, reference should be made to their use by dry cleaning plants in Pennsylvania. The situation has been summarized in a statement filed by Dr. Pauline Beary Mack, representing the American Home Economics Association at the National Industrial Recovery Administration Hearing on Prices and Code Violations for the Cleaning and Dyeing Industry, December 11, 1933, which reads as follows:

"A. As a representative of the American Home Economics Association, I wish to protest against the setting of minimum prices for the cleaning and dyeing trade (1) without a consumer on the Code Authority of this industry, and (2) without minimum standards first having been adopted for the industry,

"B. As the member of the technical committee appointed to recommend minimum standards to the Code Authority, who was selected under the terms set forth in Article VI, 3 (f) 2, I further wish to discuss briefly the report of the committee presented at the December 11th hearing by Dr. Warren J. Emley, Chief of the Organic and Fibrous Materials Division, U. S. Bureau of Standards, and to recommend the adoption of the standards set forth therein.

A

"It appears to our organization that the establishment of minimum prices for dry cleaning service without any consumer representation on the Code Authority whatever, or without a consumer having access to the records upon which such prices are based, is distinctly unfair, and can but lead to misunderstandings.

"It further appears to us that no agreement on price can ever be reached within the industry itself so long as every person giving an opinion on the subject is thinking in terms of a different standard of service. The Code distinctly states (Article VI, (3), "The Code Authority shall have the following further power and duties....." (f) "To adopt and prescribe minimum standards of quality for each of the several types of service performed by the cleaning and dyeing trade, etc."

"In view of the fact that the committee previously referred to was appointed immediately after the signing of the Code, we believe that the leaders in the industry are accepting this part of the Code in good faith. We wish to implore the National Recovery Administration likewise to give heed to the necessity for the adoption of minimum standards immediately as the only foundation upon which further negotiations concerning price can justly be based.

"There are two variables in the dry cleaning industry which makes indiscriminate price cutting possible: (1) treatment of labor; (2) treatment of the consumer. With minimum prices for labor fixed, the sweatshop methods formerly employed by many chiselers in the industry are no longer possible under the Code. This leaves the consumer as sole goat, if the minimum service which he is to receive in the name of dry cleaning is not also definitely fixed.

"In a previous brief we have outlined briefly some of the unfair practices of the cleaning industry against which the consumer now has no recourse. I have in my confidential files ample evidence of the modesty of our previous statements, which I would be willing to show to the Administrator or Deputy Administrators in person but which I cannot let out of my hands for obvious reasons.

"We do not believe that price stabilization within the dry cleaning industry is possible either if prices are left to adjust themselves in due course of events or if they are set by the National Recovery Administration, unless minimum standards are first set. The events of the past thirty days seem to bear this out. Even the crude cratery of the paid lawyers and local association secretaries who appeared at the December 11th hearing representing various factions within the industry got nowhere, chiefly because they did not know the first thing about the industry which they presumed to represent, and second because even if they had, they were all speaking a different language because the minimum standards upon which their price arguments should presumably be based had not been set.

E

"The recommendations of the technical committee previously



mentioned were read into the public records by Dr. Warren J. Emley of the U. S. Bureau of Standards, on December 11th. In arriving at the standards recommended, the committee carefully reviewed all of the research on measuring cleaning efficiency which has ever been done. Also, through our laboratory at the Pennsylvania State College my associates and I sent out during the past five weeks 160 test pieces to a cross section of all types of plants in order to determine the cleaning efficiencies now being achieved therein. We also sent out garments on which had been placed representative stains requiring special hand spotting. We further continued some experimental work on methods of determining the degree of soil in an allegedly dry cleaned garment.

#### Cleaning Efficiency

"Cleaning efficiency refers to the amount of general soil removed during the dry cleaning process proper. The standard soiled and the standard white pieces adopted by the committee have been in successful commercial use for two and a half years, and consequently no chance was involved in accepting these pieces. Other closely similar test pieces have been in successful use in other laboratories, so that the general method recommended is neither new nor experimental. At least three-fourths of all of the cleaners in Pennsylvania make use of test pieces of this sort voluntarily, keeping close records of their efficiencies at frequent intervals. It is a matter of considerable pride with them when a test piece shows an improvement over a previous rating.

"In addition to a fund of information on file with the National Association of Dyers and Cleaners and in our laboratories at the Pennsylvania State College, my associates and I recently sent out 160 test pieces to a cross section of the industry in an effort to see what classes of cleaning would be found in these plants. The name of the plants will be held confidential, but a complete set of the data obtained therefrom will be sent to the National Recovery Administration offices within the next week. Briefly, 62 of the test pieces were found to be below Class IV of the standard soiled piece, which is the minimum recommended by the committee. In every case, however, the low rating was directly traceable to the poor classification method used with the solvent or to the elimination of most of the parts of the cleaning procedure. Care alone, and not investment in additional equipment, is needed in every single one of the cases in question.

"It was further found in this study that many plants doing satisfactory work on light fabrics were cheating on dark woollens. Since the owner of a dark suit has a right to expect that his suit will be returned to him in a clean and sanitary

manner, emphasis must be placed upon the necessity of meeting the standards adopted by the Code Authority in all classes of work sold as being dry cleaned.

"The standards recommended are not maximum standards or average standards, but are the minimum standards which should be sold ~~and~~ dry cleaning job. Perhaps if the demand within the industry itself continues for a low-priced service which poor people can afford, it might be possible to work out with the cooperation of the N.A.D.C. provisions for a SUB-STANDARD service to meet this need. This is something to think about, but certainly if it is given consideration such a service should be required to be distinctly labeled SUB-STANDARD as in the case of canned foods, which caused so much difficulty by offering unfair competition to honest products until they were required by law to be labeled as sub-standard.

"As far as standards for spotting are concerned, little need be said in defense of the committee's recommendations. One of the greatest methods of cheating in the dry cleaning industry is in the portion of the work known to the trade as spotting. During the price cutting orgy of the past few years this part of the work offered one of the most flexible parts of the process. Many plants closed their spotting departments; others just starting up had no such department; others dismissed their skilled spotters and required that any unskilled person around the plant do spotting. Nineteenth of all of the several hundred controversial garments which have come to my attention during the past two years have been the result of unskilled spotting. Either the color of the fabric was discharged, or the fabric itself was decomposed, or spots which should have been removed were not even touched, in the majority of cases. In most of such cases the cleaner has not made good on damage or negligence for which he was responsible and the consumer did not take the matter to court because of the expense involved.

"The three laboratories which are cooperating in work on standard tests are continuing work already begun on methods of determining whether or not an allegedly cleaned garment has been cleaned according to the minimum standards of the industry. This work will require but a short time when it is ready to be reported.

"In conclusion, I should like to say that our organization has cooperated with the National Association of Dyers and Cleaners in their work on this Code in a spirit of sincere helpfulness, since the beginning of their deliberations early in the summer. This brief is entered in the same cooperative spirit but in the definite belief that the industry cannot solve its problems unless it takes the consumer into the fullest consideration."

Recommendations.

Paragraph (f), Section 3, Article VI. of the Code of Fair Competition for the Cleaning and Dyeing Trade should be amended so as to provide the following:

1. The Committee now established should be given permanent status and be made fully responsible for recommending and enforcing compliance with standards recommended to and adopted by the Code Authority. Its findings of fact should be considered as final, subject to review thru the regular compliance procedure.

2. The government and consumer representatives should be appointed by the Administrator. The consumer representative should meet with the approval of the Consumers' Advisory Board.\* The recommendations of the committee, with the right of minority report, should be made jointly to the Code Authority and the Administrator.

3. The standards recommended for adoption should be submitted at an early date for review and promulgation thru the machinery of the American Standards Association or the Trade Standards Division of the National Bureau of Standards for approval as American Standards..

4. The report made by the existing committee should, following any necessary review, be adopted and made mandatory upon the industry. This action should be taken within thirty days from date of inclusion in the Code of the amendments called for by recommendations 1 and 2 above.

\*The personnel of the existing committee is satisfactory from the point of view of the consumers' Advisory Board.

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No. 12

RECOMMENDATIONS FROM THE CONSUMERS' ADVISORY  
BOARD OF THE N.R.A.

FOR

REVISION OF THE HOUSEHOLD ICE RETRIGERATOR INDUSTRY CODE

WITH REFERENCE TO

STANDARD QUALITY GRADING AND LABELING  
OF THE PRODUCT.

Report Number 5.

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April 30, 1934

## CONSUMER NEED FOR STANDARDS OF PERFORMANCE FOR ICE REFRIGERATORS

The health and livelihood of the entire population depends upon the cleanliness, purity, and quality of its food. A public obligation is laid upon every party participating in the raising, processing, distributing and preparing of the national dietary to protect and promote the public health. In an age of mechanical equipment when every step in this process depends upon the efficiency, reliability, and general performance of mechanical apparatus, the suppliers of shipping, storing, preparing, and preserving facilities are a necessary party to this compact. The public relies upon them just as they do upon the farmer, the "butcher, the baker and the candlestick maker", while their business depends upon the quality of the service their equipment affords.

Refrigerators are the most important of all this vast and complicated machinery for bringing the world's food resources to the American table. Upon their proper functioning depends the quality and healthfulness of the meat, vegetables, dairy produce, and fruit consumed by nearly every citizen. The quality of the refrigerator conditions the health of the nation. By the same token, the manufacturers and distributors of refrigerators have roles similar to doctors who write prescriptions for patients. They must have standards of performance for their equipment just as doctors have standards of workmanship and standards of ethics.

Refrigeration is of two classes: ice and mechanical. In the domestic household, both are widely used. Iceboxes are typically the cheaper and least expensive of the two. For that reason they are much more widely used than the mechanical type. For that reason likewise, standards of performance are especially important in this section of the refrigeration field.

It is a rule in the medical, legal, and other professions that those who violate the publicly recognized confidence of their constituents shall be compelled to mend their ways or be driven from their practices. It is a rule under the Codes of Fair Competition that the honest shall be promoted and the dishonest driven out, the ethical supported and the unscrupulous suppressed. Good, efficient, cheap, and health-insuring ice-boxes can and are being built. Likewise some very bad ones are being delivered to consumers.

In making these recommendations calling for establishment of minimum performance standards for ice refrigerators the Consumers' Advisory Board is asking that immediate steps be taken to eliminate the latter, and to support the former type of producer. This is in line with the spirit and specific intent of the "New Deal" to the American public, and should be taken as an effective endorsement of the better elements in this industry and at the same time as an approving echo of those many statements made by the President of the United States and the Administrator of the NIRA, which has been so forcibly called to the attention of business enterprise that its first and foremost duty is ultimately to consumers.

(This report was circulated in draft form to a number of well recognized authorities in the field in question, and, in its present form, represents, in the opinion of the Consumers' Advisory Board, a condensation, collation, and summarization of the best and most impartial technical and consumer fact and opinion available.)



RECOMMENDATIONS FROM THE CONSUMERS' ADVISORY BOARD OF THE N. R. A.  
FOR  
THE REVISION OF THE HOUSEHOLD ICE REFRIGERATOR CODE  
WITH REFERENCE TO  
STANDARDS OF PERFORMANCE, QUALITY GRADING  
AND LABELING OF THE PRODUCT

(The practice of manufacturing refrigerators which provide performance of inferior quality due to material and construction and selling these as a first quality commodity and at a first quality price is very widely practiced by the less reliable manufacturers in the industry. Certain minor undesirable practices are also prevalent.)

I. FACTORS WHICH DETERMINE PERFORMANCE OF REFRIGERATORS, AND THERE-  
BY PROMOTE CONSUMER SATISFACTION.

A.

Temperature which the refrigerator will maintain.

Research has revealed that in order to retard excessive bacterial growth and spoilage in food and thereby guarantee satisfactory performance, it is desirable that a refrigerator maintain a temperature not to exceed 45° F. in the milk compartment and an average temperature not to exceed 50° F. in the food compartment, over a 24 hour period. Such refrigerators are obtainable on the market today.\*

Charts issued by the Bureau of Home Economics indicate that the following temperatures are necessary to preserve various foods:

Milk, milk dishes, butter, broth, desserts,	Not over 45° F.
Uncooked meats, poultry, covered jars for salad material,	Not over 47° F.
Berries, cooked meats,	Not over 48° F.
Cooked vegetables, eggs, fats, left-overs,	Not over 50° F.
Fruits and vegetables,	Not over 52° F.

\* While temperature limits other than those indicated in this paragraph and in the chart following may be practicable under certain conditions and in some homes, nevertheless, if food is to be kept in open containers for periods longer than 24 hours, the maximum temperatures listed are desirable if not even essential. In this connection Mr. Roe of the Electrical Testing Laboratories writes:

"In general it is desirable to operate refrigerators for the preservation of food at temperatures as low as practicable, but not too close to the freezing point of water. It has been found commercially expedient and relatively economical to operate household refrigerators with internal temperatures around 45° to 50° F; that is to say, these conditions have been found practicable in many homes. They are undoubtedly impracticable in millions of other homes."

The last sentence an opinion on which other authorities disagree.

The following figures are taken from the same charts: The bacterial count of milk kept for four days at 40° F. rose from 9,000 at the end of the first day to 34,000; if kept for four days at 45° F. it rose from 13,000 to 270,000; for same number of days at 50° F. it rose from 39,000 to 390,000, milk held at 60° F. for four days contained at the end of the first day 110,000 bacteria, and this number increased to 3,100,000 after four days. The initial bacterial count for all samples was 2,300.

No conclusion as to the definite point at which the number of bacteria becomes dangerous to health can be reached since various variable factors make it impossible to set such a definite count. It is a well-known fact that many types of bacteria are not harmful, and therefore, it is necessary to guard against misunderstandings and misapplications in basing any study of food preservation at stated temperatures on bacterial counts.

One of the most important factors in this whole matter of food preservation, bacterial counts, etc., - and one which is frequently overlooked - is the length of time that food is actually kept in a refrigerator.

"Ice and Refrigeration" 1929 contains this information: That there is a definite relationship between Time and Temperature; if milk is to be kept for only 24 hours, a temperature of 50° F. is sufficient, but if for a longer period a temperature not to exceed 45° F. is essential.

## B.

### Cost of Operation

#### Factors entering into low operation costs.

- (1) Adequate insulation.
- (2) Close fitting doors and tight catches. (A very important factor in keeping down operating costs.)
- (3) Ice compartment in proper ratio to the food storage space.
- (4) Rigid and durable construction.
  - (a) A strong and rigid frame.
  - (b) A type of insulation which will not warp, slip, or settle.
  - (c) Protection of insulating material from moisture (where the need is indicated).
  - (d) A lining that will prevent the penetration of odors and moisture.
  - (e) Strong hardware which will not rust or tarnish easily. In warm and humid climates refrigerators with enamel or lacquered metal exteriors should bear a guarantee against rusting of the metal sheet.

## C.

### Size of Food Storage Space

1. Simplified Practice Recommendation RL09-29 has standardized to a large extent the dimensions of refrigerators - door openings and depths of ice compartments.

2. Some manufacturers use a "classified" system in grading their cabinets based upon the ratio of food storage space to ice capacity.

The chart listed below indicates the system now used by some manufacturers. (Chart from: "House Design, Construction, and Equipment" - Gries and Ford.)

Food Capacity and Ice Capacity in Classified Refrigerators			
Amount of ice pounds	A.	B.	C.
	Cu. Ft. Food Space minimum	Cu. Ft. Food Space minimum	Cu. Ft. Food Space minimum
100	8	6	5
75	6	5	4
50	5	4	3.5

These figures are based upon the presumption that the average temperature in the milk compartment will at no time exceed 45° F.

#### D.

##### Durability of Ice Refrigerators

##### 1. Reputation of the manufacturer or the dealer.

In the past the purchaser could buy a refrigerator only on the basis of the manufacturer or retailer's reputation. This basis would be perfectly satisfactory if it were not for the fact that it is extremely difficult for the purchaser to learn the real truth when it comes to judging the reputation of any producer or dealer. This basis has failed to protect the consumer. Without some standardization dealers are unable to enlighten purchasers as to durability or any of the other facts to which the consumer is entitled.

##### 2. Warranties.

The subject of all long-time guarantees, always a controversial one, need not be taken up here. The purchaser usually pays dearly for such long time guarantees, and in many cases nothing specifically is warranted. Any true and enforceable warranty is a benefit to consumers and is worth paying for.

#### E.

##### Insulation

Insulation is the most important factor of these five listed and is tied up very closely with all of the other four. The insulation is so built into a refrigerator as to completely conceal it from the eyes of the purchaser. No reasonably adequate system of grading or labeling ice refrigerators is in force today.\*

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\* The National Association of Ice Industries has a grading system (referred to on page 8).

Advertising claims and such grading as is practiced by manufacturers must merely not violate the provisions of the Federal Trade Commission Act. Many manufacturers use no general or uniform system for classifying or grading the insulation used in their product, and it must necessarily be concluded that the price charged for such refrigerators is then no criterion of quality. Purchasers are unable to make intelligent judgments as to quality on a price basis.

In short, few manufacturers of refrigerators make any effort to inform purchasers as to the amount or type of insulation used in the cabinet.

## II. GENERAL INTEREST IN STANDARDS

1. The United States Bureau of Home Economics, and the American Society of Refrigerating Engineers jointly sponsored a project under American Standards Association procedure; which was begun as the result of a request by the American Home Economics Association that a conference be called, to establish standards for refrigerators. (Some years before the American Institute of Architects had tried to have standards established.) Due to the efforts of these sponsors the American Recommended Practice Code for Testing Domestic Refrigerators Using Ice, was worked out under a procedure prescribed by the American Standards Association. (Committee B-38cl-1931).

2. There is some evidence that manufacturers of ice have urged the ice refrigerator manufacturers to improve their standards.

3. Manufacturers themselves have taken an interest in this matter since the advent of mechanical refrigeration.

4. The American Home Economics Association has interested itself in attempting, to have minimum performance standards established by the industry for the general information of purchasers. This group considers "the household refrigerator...as an important item of equipment in the household definitely related to the health and economic welfare of the family. The value of the refrigerator in the household is definitely related to its performance and service - to whether or not it will under normal conditions of operation, maintain a temperature low enough to inhibit the growth of bacteria which cause deterioration of food."

5. The National Association of Ice Industries through Dr. Mary E. Pennington, has accomplished much good work in the past in this field of grading ice refrigerator cabinets. Dr. Pennington is a pioneer in this field. Unfortunately all too much of the standardizations accomplished has not been passed on as a benefit to the consumer.

## III. STANDARDS EXISTANT

1. Simplified Practice Recommendation RI09-29 --- Refrigerator Ice Compartments -- issued by the National Bureau of Standards, has done much in the way of standardizing the dimensions of refrigerators.

2. The American Society of Refrigerating Engineers and the United States Bureau of Home Economics have already completed part of their work of sponsoring a Code for Testing Domestic Refrigerators (already mentioned in this report). The Code for Testing Domestic Refrigerators Using Ice has been approved by the American Standards Association and is indexed in the Library of the A S A as B-38 cl-1931.

3. Federal specifications on insulating material. The United States Government has specifications on corkboard, granulated cork, and fibre insulating boards. They are indexed HH-C-561, HH-C-571A, and LLL-F-321. These specifications merely define the quality of the insulation itself, but in that respect have a bearing on the general construction of a refrigerator.

4. The "classified" grading system sponsored by the National Association of Ice Industries sets forth a very simple and definite minimum performance standard. The specifications behind these grades should be carefully reviewed and if satisfactory be made readily available to consumers, properly backed by an appropriate and easily understandable system of labels.

5. A modification upon this "Classified" System issued by a nationally known non-commercial research agency, investigating the subject for consumers. This particular standard is said to go further than the Classified System and seems equally as applicable.

T A B L E

Specifications for ice refrigerators of three grades maintaining a temperature of 45° F. in the mill compartment and of 50° F. in the food compartment with an outside temperature of 75° F.

	: Class A	: Class B	: Class C
Proportion of total space occupied by ice chamber	: 31-33 per cent*	: 33-35 per cent*	: 36-37 per cent*
Space available: 50-lb. size	: 5 cu.ft.*	: 4 cu.ft.*	: 3½ cu.ft.*
for food storage: 75-lb. size	: 6 cu.ft.*	: 5 cu.ft.*	: 4 cu.ft.*
in--: 100-lb. size	: 8 cu.ft.	: 6 cu.ft.	: 5 cu.ft.
: Insulation	: 2 in. pure	: 1½ in. pure	: 1 in. pure
: :	: * corkboard	: Corkboard*	: corkboard *
: :	: faces covered	: equivalent	: equivalent
Construction : Outer	: wood or porce-	: wood	: wood
: Sheathing	: lain on steel:		
: :	: :	: vitreous por-	: :
: :	: :	: celain or well:	: :
: Inner	: vitreous	: baked enamel	: enamel on
: Sheathing	: porcelain or	: on steel; cor-	: metal
: :	: porcelain	: ners rounded	: :
: :	: :	: and all seams	: :
: :	: :	: tight	: :
: :	: posts and	: :	: :
: Rigidity	: braces to	: steel braces	: good nailing
: maintained	: which inner	: at corners	: at corners
: by means	: and outer	: and good	: and proper
: of--	: sheathings	: construction	: stretchers
: :	: are fastened	: :	: :

(Based on material published by the National Association of Ice Industries, except for items marked with an asterisk, which are the opinions of a person conversant with the subject.)

\* Expressions of expert opinion are to the effect that corkboard is one of the best insulators but that some others serve equally well under certain conditions.



#### IV. RESEARCH IN PROGRESS

The American Society of Refrigerating Engineers as well as the United States Bureau of Home Economics through the A.S.A. Procedure is still carrying on considerable work along this line. Through Sectional Committees B-38 of the A.S.A. work is still going forward; the scope of the Committee is stated below. A Standard Test Code for Domestic Refrigerators Using Ice has been developed by this Committee and further standards for ice refrigerators should be issued in the near future.\*

Some of the progress made by Committee B-38 is apparent in the excerpt below from the minutes of a meeting of that Committee held in New York, on Mar. 5, 1930. The following definite action was taken on this report by the Sectional Committee:

VOTED:

That it is accepted in the light of present information that, to limit chemical and bacteriological changes, the average temperature in the milk compartment should not exceed 45 degrees F. and the rest of the food compartment the average temperature should not exceed 50 degrees F.

VOTED:

That the cabinet should be effectively insulated and the insulation so installed and protected as to retain its efficiency.

VOTED:

That the construction of the box must be such as to provide for long life (durability) and continued efficiency, and that with this in view there be referred to Sub-committee 3 the problem of working out methods by means of which these factors may be predetermined by test.

VOTED:

That the refrigerator hardware must be of good quality, not tarnish or rust readily, and of a design that will hold the door tightly closed.

VOTED:

That the lining must be easily cleaned, durable, and tight.

VOTED:

That the box designations and capacities and dimensions of ice compartments as given in Simplified Practice Recommendation No. 109 of the Department of Commerce be accepted as standard.

VOTED:

That Section 2 of Sub-committee 2's report recommending shelf spacing as follows be accepted, viz.:

That no shelves shall be less than 5 inches apart, measured from the top of one shelf to the top of the next shelf, with the exception of shallow or half-shelves in the milk compartment. The minimum height of the milk compartment door to be 9 3/4 inches, with provision, where the milk compartment is more than 12 inches high, for half-shelves to be used for butter or meat. In the food compartment, the bottom shelf should be placed 10 inches

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\* A similar test code for mechanical refrigerators is being completed.

above the floor with the other shelves not closer together than five inches. In the 50-lb. box a minimum of three shelves should be provided in addition to the floor, and variations in shelf spacing in accordance with the height of refrigerator dishes should be kept in mind.

There was no definite proposal as to the data on the nameplate.

Committee No. 1 wishes added to this a statement of ice meltage per cubic foot of usable space for food storage.

Committee No. 2 was unwilling to recommend such a statement, thinking it might be misinterpreted by the housewife.

It was agreed by all that no definite action could be taken on the nameplate until Committee No.3 had reported a test code which could be accepted by the Sectional Committee.

One member of the Committee stated that:

"It would seem desirable to indicate on the nameplate the nature of the performance rather than to have a blanket statement; this of course could be accomplished either by the actual statement of temperature or by statement of the grade that the refrigerator has met."

The Committee further agreed:

(1) Consumer wants adequate amount of usable space therefore designate cubic feet food storage as well as ice capacity of the box.

(2) She wants some assurance that adequate temperatures will be maintained. This can be met by statement of temperatures reached under standard test conditions, including temperature conditions under which test was made. The temperature chosen for testing has been 75°.\*

2. The National Association of Ice Industries has done considerable research work and has established various grades for refrigerators on a B.t.u. basis (British thermal units). These are the so-called "classified" grades which were mentioned above.

3. The National Refrigerator Manufacturers Association has been asked to cooperate with Committee B-38. There has been no apparent cooperation in the true sense of the word. This Association unfortunately seems to feel that efforts to standardize or grade ice boxes are being made twenty years too late. (The Consumers Advisory Board agrees to, but in no way accepts, this statement as an argument against such efforts at this time.)

#### V. ADEQUACY OF EXISTING STANDARDS

There is no consumer objection to the standards which exist, but they are fragmentary and do not directly cover consumer's needs. Of the 1,397,000 refrigerators sold in the year 1931, 432,000 were ice refrigerators. For many

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\*Reliable expert opinion maintains that 75° F. is too low as a base for testing cabinets for use by consumers in the most populous parts of the United States.  
5507-8

of these there is no standard specification which would provide a product of reasonable quality for the consumer. The purchaser is not informed in any manner as to the performance and durability of his refrigerator or of the amount or type of insulation used, or its efficiency in retarding the heat flow into the box.

In view of the lack of such information, some standards clause should be made a part of the Code of Fair Competition for this industry and enforced through the code procedure.

## VI. PROJECT TO DEVELOP CONSUMER STANDARDS

The American Home Economics Association has been working to stimulate the development and general use of such standards as will guarantee the consumer a reasonable product for his money. This Association has been active in attempting to have inserted in the Code of Fair Competition for the Household Ice Refrigerator Manufacturing Industry certain provisions providing for the establishment of minimum standards of performance and for several grades above this minimum standard. Further, this Association wishes to see every refrigerator properly labeled as to manufacturer's name, usable storage space, ice capacity, the average temperature maintained under standard conditions, the amount of ice required to maintain the temperature under these standard conditions over a 24-hour period, a statement as to the durability of the refrigerator for the length of time during which it will maintain, under normal conditions of use, and the temperature as given on the name plate. This program has been carried on in considerable detail and some good results are apparent. This is a promotional effort to further the American Standards Association Committee work.

The program of the American Society of Refrigerating Engineers and the Bureau of Home Economics is stated below. They have jointly sponsored Sectional Committee B-38 under the American Standards Association, which originally attempted to establish Standards and Specifications for the Refrigerating Industry by following the program quoted here:

"Inside cubic contents; area and spacing of shelves; dimensions of ice doors; cooperation with the Division of Simplified Practice in establishing outside dimensions; the development of such standard methods of test as will be necessary to establish the data required in determining the rating of refrigerators; specifications covering the more important data essential to the rating of refrigerators and appropriate for inclusion on a nameplate defining the leading characteristics of the box; the setting up of standard grades or qualities for refrigerators; due consideration of questions of ruggedness and durability.

"Such standards and specifications are to apply to refrigerators cooled with ice and to self-acting or mechanical refrigerators employing a self-contained refrigerant."

No definite standards were established but rather the Test Code for Domestic Refrigerators Using Ice has been issued by this Committee.

## VII. THE CODE HEARING

The Code for the Household Ice Refrigerating Industry was approved by President Roosevelt December 30, 1933. The following Recommendations of the Consumers' Advisory Board were accepted and incorporated into the code.

Article VI, Paragraph 12:

"It shall be the duty of the Code Authority to adopt and prescribe through the channels of the Association minimum standards of performance for each of several grades of ice refrigerators. In the development of such standards, the said Association shall cooperate with the Sectional Committee of the American Standards Association on Standards and Specifications for Refrigerators."

The Industry also incorporated the following provision under Article VII; Section 10:

"Each manufacturer shall tag or brand each ice box showing usable storage space (stated in cubic feet), and the ice capacity stated in pounds."

Credit for the insertion of these two provisions, in a large measure, must be attributed to Miss Alice Edwards of the American Home Economics Association. Acceptance of her suggestions discloses the fact that the refrigerator manufacturing industry itself is possibly beginning to realize the importance of this matter of establishing minimum standards of performance for their product. However, storage space and ice capacity are almost inconsequential as compared with refrigerative performance.

Under Article VII, Trade Practices, the first two sections must be heartily approved so far as they go. They prohibit the false marking or branding and the misrepresentation or false or misleading advertising of the products of the household ice refrigerator industry. They merely prohibit the giving of false information; they do not specify that any specific information be supplied to the customer.

Further recommendations by the Consumers' Advisory Board were made through Miss Edwards and are listed below, and ask that it be considered an unfair trade practice to fail to attach to any household refrigerator produced by the industry a name plate which states:

1. The name of the manufacturer.
2. The average temperature maintained under standard test conditions in the milk compartment and in the food compartment.
3. The amount of ice required to maintain the temperature under standard test conditions over a 24-hour period.
4. A statement as to the durability of the refrigerator or the length of time during which it will maintain under normal conditions of use the temperature as given.

The industry felt it inadvisable to accept these until further study and research had been made.

VIII. MINOR UNDESIRABLE PRACTICES

The Code of Fair Competition for the Industry, it is believed, will not eliminate some of these undesirable practices. Chief of these is the outdated system attempted by the industry for comparing or fixing their prices.

For example, the "superficial foot", basis of pricing long used in the industry is of questionable worth under any circumstances.

Many unreliable statements are made in the advertising of some refrigerator dealers. It has been said by one expert that the consumer, when he buys an ice refrigerator from the average dealer, is running as great a chance of being deceived as he is when buying a second hand 1920 automobile from an unknown used-car dealer.

#### EXPRESSIONS OF OPINION

A summary of opinion and discussion on this subject shows that this industry, due to the fact that it faces vigorous competition from mechanical refrigeration, must depend for its continued existence upon making every effort to meet the needs and desires of purchasers. Many people are denied adequate refrigeration due to high first costs and expensive upkeep, and these very people represent a potential market for the ice refrigerator industry and should be served by enterprising and efficient manufacturers. It is estimated that \$250,000,000\* is spent annually on ice for refrigeration and that the annual expenditure per refrigerator is between \$26.00 and \$28.00. As has been pointed out before, insulation, - adequate insulation - is of chief importance in holding down the cost of operation. It has been pointed out that good insulation is an investment which pays good dividends by its ice and food saving. An inferior refrigerator will melt about one-third more ice per day than a well insulated cabinet, and a poor cabinet will fail by 2° to 10° F. to maintain the proper low temperature afforded by the superior cabinet. An extra one inch added to the thickness of corkboard used for insulation in a cabinet of 100 pound capacity, might increase its price by \$20.00, but it will save about six pounds of ice per day by decreased meltage, and pay 18% on the investment if only used six months a year.

It is believed that on this one point in particular - insulation - the industry has fallen down. Various authorities, the National Association of Ice Industries, The Bureau of Home Economics, and Consumers' Research Incorporated, consider that a first quality refrigerator should have the equivalent of at least a two inch thickness of insulation - such insulation to be of high moisture resisting quality. It is understood that no insulating material is fully water or moisture proof, but corkboard\*\* is found to be one of the best materials obtainable. Since it does not slump down easily and absorbs less moisture than most others. Various other granulated insulating materials are used, but are seldom so reliable. (Granulated cork, mineral wool, asbestos wool, etc.) First, they soak up water and moisture more readily and second, they slump down easily, thus giving a bad distribution in the insulation space. It is uneconomic for consumers to buy unneeded ice the year round when they could buy insulation at a moderate cost once and for all. It is believed that a poorly constructed ice cabinet is more detrimental to the purchaser than the same poorly built cabinet utilizing mechanical means of refrigeration, because

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\* Figure probably represents total annual consumption. Domestic expenditures on ice probably is represented by a large portion of this figure.

\*\* Expert technical opinion does not dispute the reliability of corkboard as an insulator but maintains that various others might be equally as good under certain conditions.



in the latter, insulation defects can be overcome by the mechanical compressor which will merely cost the consumer more in operating expenses. Thus it is apparent that in the latter case food can still be preserved even if at a greater expense to the consumer, whereas in the former, food will spoil in spite of all efforts and expense. This makes adequate insulation a health consideration and a problem which all Public Health Authorities should consider carefully.

In a well insulated refrigerator, the material presented on page 293 of "House Design, Construction and Equipment" points out a temperature range of from 45.8° to 50.9° F. is obtainable (these temperatures are too high for adequate refrigeration according to the best authorities); whereas a non-insulated refrigerator can only produce a minimum temperature of about 49° and the maximum temperature reaches 61°. Ice in the latter type will melt about 15% faster. Inferior cabinets will not maintain a temperature sufficient to retard the growth of bacteria, thus directly causing food spoilage. Therefore, all refrigerators of first or even medium quality should be adequately insulated. In regard to the matter of insulation, it must also be pointed out that the doors should be tightly sealed. Seepage of cold or warm air through these spaces greatly reduces the efficiency and increases the operating costs.

The National Association of Ice Industries (The Better Homes Manual, page 373) maintains that:

"The modern refrigerator for ice should abandon the so-called 'dead air space' for insulation and substitute from one to three inches of pure corkboard or its equivalent. It should have properly adjusted openings for air circulation and a 'baffle' between the ice compartment and the food compartment which guides the direction of the air movement."

"There should be available a section of the wall of every refrigerator sold that the purchaser may see for herself (1) the thickness and kind of insulator, (2) the entire absence of so-called 'dead air spaces', (3) the presence, location and kind of water-proofing compound used to protect the insulation from moisture, (4) the reasonable use of paper to protect the surface of the insulator but not to be depended upon for insulation."

"The primary requirements in choosing insulators for household refrigerators are (1) high resistance to the passage of heat and (2) high resistance to the absorption of moisture such as is exhibited by pure corkboard." Therefore, the purchaser should insist upon knowing the name of the insulator and the thickness of it."

"When an insulator is wet - or even damp - heat can go through it easily. Therefore, a coating of some good water resisting compound, such as odorless asphalt, should be applied to all surfaces. If this asphalt binds the self-supporting insulator firmly to the interior lining on the one side and to the outer sheathing on the other, the insulator will be kept dry and stay in place for many years. Such construction, also, is an efficient way of eliminating air spaces. Because of the difficulty in applying hot asphalt to such surfaces, heavy paper impregnated with odorless asphalt is often used to cover or wrap the slab of insulation."

While on this subject of water proofing the insulating material, one point should be brought out; a well known research laboratory finds that toxic substances are sometimes used in this impregnating process\*. One of the purposes of so impregnating the fibre or other insulating material used in the lining of these refrigerators is to make the cabinet insect proof. These toxic substances under certain conditions may form gases which are extremely poisonous. Therefore, this practice should either be eliminated or carefully regulated, preferably the former solution, the latter doubtless being an impossibility.

"In the middle of the floor of the ice compartment in the side ice refrigerator there should be an opening having an area at least one quarter of the total area. In refrigerators having from five to eight cubic feet of food space this cold air outlet is usually from six to eight inches wide and from 10 to 12 inches long.

"The next item to be sure of is that the air traverses completely the body of the refrigerator and cools every portion of it. A simple and efficient method of guiding the cold air is to extend upward and downward the partition which separates the ice compartment from the food compartment, and to put within this partition some insulator so that it is less cold than all metal would be."

"Such an extension is known as a 'baffle' and for the best results it should reach to within five inches of the floor and six inches from the top of the refrigerator in cabinets of larger sizes."

It is now mandatory upon the industry through their Code of Fair Competition to provide information as to the net food volume of any refrigerator cabinet. Previous to the adoption of the Code for this industry such information has not been too accurate, and such information cannot be made accurate in the absence of well defined and consumer understandable specifications and labels.

#### Opinion of the American Home Economics Association

Due to the important position held by household refrigerators in the health and economic welfare of the family, it is believed that it should be made mandatory upon the Industry through a Code of Fair Competition or similar means, to place upon the nameplate of every refrigerator the following information:

1. Name of Manufacturer.
2. The usable storage space (stated in cubic feet).
3. The ice capacity stated in pounds.
4. The average temperature maintained under standard test conditions in the milk compartment and food compartment.
5. The amount of ice required to maintain the temperature under standard test conditions over a 24 hour period.
6. Statement as to the durability of the refrigerator or the length of time during which it will maintain under conditions of use, the temperature as given.

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\* Information supplied by Consumers' Research, Inc.

In conclusion it must be noted that one very definite point was brought out by the industry at the code hearing: that their very existence depends upon producing a refrigerator to reach the ultimate consumer at a price a little in excess of \$20. It was felt that the only means of meeting the competition of mechanical refrigeration was to place refrigerators on the market built to retail at such a figure. \*

The aim of the industry is quite definite; all efforts to attain such ends as indicated above will fail unless consideration is given the matter of performance standards. Aside from the interest of consumers in the matter the ice refrigerator industry may defeat its own purpose unless minimum performance standards are established and enforced.

The President's conference on Home Building and Home Ownership (called by President Hoover) made the following recommendations in regard to "ice chests". The ice chest differs from the refrigerator in that there is no separate ice compartment, but that the block of ice is within the food storage space.

#### Ice Chests

"If the sum available for the purchase of a refrigerator is less than \$20.00, the use of an ice chest is recommended. An ice chest is inexpensive and has long been recognized as having a higher degree of efficiency than the cheaper refrigerator.

"When purchasing an efficient ice-cooled chest, the customer should be sure that the walls contain at least 1-1/2 inches of a recognized insulator, that the inside lining is of heavy galvanized iron, that a metal rack on the floor allows at least 1-1/2 inches of unobstructed space below it for air movement, and that the ice compartment located at one end has a wall of heavy corrugated metal extending from about 2 inches below the top to about 2 inches above the rack on the bottom. There should be a drain with a water seal."

A well-qualified official of the National Association of Ice Industries (Trade Association) agrees that good quality cabinets with definite standards of performance can be retailed within or near \$20.00 figure.

#### X. RECOMMENDATIONS

Paragraph 12, Section VI, of the Code of Fair Competition for the Household Ice Refrigerator Industry should be revised or implemented so as to provide for the following:

1. The Code Authority shall immediately set up a committee, so constituted as to give due representation to all special and general interest groups, including ultimate consumers and the government, to be charged with the duty of making a survey of the standards situation within the industry, and of recommending to the Code Authority standards for adoption covering quality, performance, and consumer understandable labeling systems. The consumer and government representatives should be appointed by the Administrator, the former to meet with the approval of the Consumers' Advisory Board, and the

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\* These facts taken from the Public Transcript of the Industry hearing.

latter to represent the National Bureau of Standards of the United States Department of Commerce.

2. The report of the committee should be made jointly to the Code Authority and the Administrator within not more than six months from the date of its appointment. Minority opinion should have the right of report in the same fashion. Following review by all interested groups of standards recommended, the standards should be adopted and made mandatory within not more than 3 months thereafter, upon the industry by the Code Authority, provide that at no time should the right to manufacture and/or sell non-standard equipment to meet special needs be disallowed when properly labeled "non-standard" with the nature of the deviation from standard being clearly stated on the label.

3. Before, during, or at any time after making its survey and submitting its recommendations to the Code Authority and the Administrator, the Committee may remand any portion or the entirety of the problems delegated to its care to the procedure of the American Standards Association, the National Bureau of Standards, or any other standards promulgating body now existing or to be set up whose procedure guarantees adequate consumer and government representation for adoption as nationally valid standards, provided that such action be not construed as relieving the committee from responsibility for making a definite recommendation within the time interval indicated above. Under whatever procedure handled, the report made by the committee should be followed by adoption of standards recommended within not more than three months thereafter.

4. The committee should be given, following its original report, permanent status, with the duty of supervising the rephrasing, redrafting and compliance with the standard or standards adopted as needs within the industry and considerations of the market determine.

April 30, 1934.

